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# ALBANIAN MICRO AND SMALL ENTREPRENEURS: AN ASSESSMENT OF FINANCIAL SKILLS, ATTITUDES, AND BEHAVIORS

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# ALBANIAN MICRO AND SMALL ENTREPRENEURS: AN ASSESSMENT OF FINANCIAL SKILLS, ATTITUDES, AND BEHAVIORS

Greater Access to Trade Expansion (GATE) Project  
Development & Training Services, Inc. (dTS)  
4301 N. Fairfax Drive, Suite 215  
Arlington, VA 22203

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# EXECUTIVE SUMMARY

This report was prepared for the Albania mission of the United States Agency for International Development (USAID) by the Greater Access to Trade Expansion (GATE) Project, Development & Training Services, Inc. (dTS), a task order for the USAID Office of Women in Development. The study was conducted in preparation for the development of Albanian Partners in Microcredit's (PSHM) financial education training program. It sought to understand gender differences in PSHM clients' existing behaviors, knowledge, skills, and attitudes; explore gender differences in how clients prefer to learn to inform the methodology, timing, and logistics of the training; and, generate a skills assessment of the trainers so that the education curriculum is designed to fit their capabilities.

The transition from a state economy to a market economy has impacted Albanian men and women in different ways. Changes in the composition of the formal economy have reconfigured the labor force. Whereas unemployment has impacted both men and women, male unemployment has largely been mitigated by migration. Male migration has not, however, led to female labor substitution; in fact, between 1989 and 2001, female unemployment increased by 110 percent. The significant decline in female labor force participation (-211 thousand from 1989 to 2001) leads analysts to suspect that women are moving into the informal economy.<sup>1</sup> A 2002 IMF study estimates that the informal economy generates approximately 23.4 percent of Albanian GDP.<sup>2</sup> Other studies speculate the share to be as high as 30 to 60 percent of GDP reflected by the fact that only 31.3 percent of the labor force is employed under permanent contracts.<sup>3</sup>

The movement from the formal to the informal economy has increased women's participation in private enterprise. While women entrepreneurs play an increasingly important role as employers, customers, suppliers, and competitors, women's entrepreneurship is regarded as an untapped source of economic growth. In order to augment and enhance the participation of women in private enterprise, the Global Entrepreneurship Monitor's 2005 cross-national assessment of women's entrepreneurial activities determined that efforts should focus on education, financial assistance, network development, and mentoring. While financial assistance is available to Albanian entrepreneurs through formal and informal institutions and the Government of Albania, donors, and non-governmental organizations (NGOs) have attempted to promote the involvement of women in enterprises through trainings on how to start a business; preparation of business plans; and, basic accounting procedures. Yet financial education is missing from the set of skills being promoted. In order for entrepreneurs to more effectively manage their loans and maintain and grow their income generating activities, financial education is needed.

PSHM, established by a USAID-funded grant to Opportunity International, helps Albanian micro and small entrepreneurs develop their businesses through provision of credit and basic business consulting. With over 8,000 clients throughout Albania, PSHM will aid the development of financial literacy in Albania by offering a pilot financial education training program for female clients in Tirana. Currently 48 percent of PSHM's loans are traced to women. In order to develop financial education training curriculum

that effectively meets the level of the learner and needs of these borrowers, GATE conducted an in-depth needs assessment of PSHM's prospective participants.

## **DEFINING FINANCIAL LITERACY**

Financial literacy is a broad term that encompasses different concepts to different people. Hogarth finds that most definitions include knowledge and understanding of basic financial concepts and the ability to use these to plan and implement financial decisions.<sup>4</sup> Basic financial concepts typically include: budgeting, saving, investing and insuring.<sup>5</sup> Further, Schagen and Lines define financial literacy as “the ability to make informed judgments and to take effective decisions regarding the use and management of money.”<sup>6</sup> With the focus placed on individual decision making in budgeting, spending, and savings, measuring financial literacy should be contextualized to the specific circumstances of the individual.

## **METHODOLOGY**

The financial education needs assessment was designed to be both qualitative and quantitative in order to understand the complexities and diversity surrounding PSHM client financial behaviors as well as to quantify the significance of patterns. The study used Individual In-Depth Interviews, Focus Groups, and a structured survey to triangulate existing PSHM clients' financial skills, attitudes, and behaviors.

- The qualitative assessment was conducted in coordination with four (4) PSHM branches: Tirana, Kukes, Vlora, and Elbasan. The interviews were conducted in primarily urban settings. A total of 45 clients were interviewed.
- The structured survey was administered in urban, rural, and peri-urban settings in 14 areas: Fier, Shkodra, Durres, Korce, Peshkopi, Fruje Kruja, Elbasan, Lushnej, Gjirokaster, Sarande, Kavaje, Tirana, and Vlora. A total of 197 clients were surveyed.
- Two focus groups were conducted—one with female clients and one with male clients—both of which were held in Vlora.
- The trainer's skill assessment also relied upon in-depth interviewing as well as a self-administered survey. A total of 11 PSHM loan officers in Tirana, Kukes, Vlora and Elbasan were interviewed, and a total of 12 PSHM loan officers and 3 branch managers participated in the survey.

## **SURVEY DATA**

Of the 197 PSHM clients that participated in GATE's survey, 45.2 percent were women and 54.8 percent were men. Forty-seven percent of women interviewed were new clients and 53 percent were mature clients. \* Forty-eight percent of men interviewed were new clients and 52 percent were mature clients. Client locations of the sample were as follows: 59.7 percent of participants reside in urban areas, 16.3 percent in peri-urban areas, and 24 percent in rural areas. The median age of participants was 39 for women and 43 for men. Eighty-four percent of women and 90.7 percent of all men surveyed were married. The majority of participants had either primary education (4-8 years) or a high school degree. More men than women had university education—13 percent of men in comparison to 5.6 percent of women. No male clients reported having

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\* “Mature” refers to clients that have taken out more than one (1) loan and been with PSHM for more than (1) year.

had no school at all, whereas 4.5 percent of women sampled had not received any schooling. For 88.8 percent of female respondents and 89.7 male, the business that they owned and operated was their principal source of income. Twenty-nine percent of women and 25 percent of men characterized themselves as living day to day, rather than planning for future expenses.

## **FINDINGS**

GATE's assessment tools examined record-keeping, financial planning, saving, borrowing, budgeting, financial goals, negotiation skills, business decision making, marketing, perspectives on financial institutions, and learning preferences. GATE assumed that clients who have been with PSHM for longer than one (1) year have increased their financial understanding as a function of participating in the program; that responses to most questions would vary by sex; that answers would vary by types of business; and, that responses would vary by ethnic/cultural differences.

The findings from both the survey and in-depth interviews found limited correlation between the longevity of client participation with PSHM and financial practices. In addition, few of the responses to questions varied by sex. The variations that were observed are described below.

### **Record Keeping**

While male education levels did not appear to affect record keeping practices, women's education levels did. For example, 75 percent of men with a high school education and 75 percent of those with primary education kept records. In contrast, 76.3 percent of women with a high school education kept records and 51.6 of those with primary education did.

### **Financial Planning**

Clients who kept records on a daily basis also planned expenses day by day. Correlations, however, were not observed between frequency of record keeping and financial planning for clients' who performed practices on a weekly, bi-monthly, monthly, seasonally, or annual basis.

### **Savings**

- The frequency and regularity of savings behavior strongly correlated to the client's cash flow. For example, 15 percent of female clients who lived day by day reported that they never save; 54 percent saved irregularly.
- All women who reported to only save occasionally worked in the trade and retail sector, which is also the least profitable sector. Forty-three percent of all PSHM clients involved in trade and retail are women. Further research is needed to understand the dynamics of the sector.
- When looking at savings and client maturity, the highest concentration of clients who did not save were mature male clients.
- The majority of respondents regardless of gender, business type, or client maturity, reported the necessity of putting aside money for wedding gifts for family members and friends. Given the importance of such life cycle events in Albania, trainings

may want to address differential strategies for saving for durable goods versus non-durable goods.

### **Budgeting**

PSHM clients' budgeting practices correlated to their business type. For example, individuals involved in tourism were more likely to believe it most beneficial to budget seasonally, whereas clients involved in retail or trade who made all payments and purchases on a monthly basis often believed it was most beneficial to budget on a monthly basis.

### **Financial Strategies**

PSHM clients' were asked about financial strategies for coping with two different kinds of unexpected business expenses. In the case of large unexpected costs, such as replacing equipment or machinery, a high percentage of men and women, 46.2 and 52.3 percent respectively, reported increasing the amount that they borrowed from PSHM. When business operating expenses, such as petroleum, increased unexpectedly, the majority of men and women increased the prices of their goods or services. Only 4 percent of the men and 5 percent of the women identified specific strategies to reduce their costs, and 18 percent of men and 24 percent of women reported doing nothing.

### **Financial Goals**

The identification of financial goals did differ by gender. Eighty-seven percent of male clients have a financial goal in comparison with 68.5 percent of females.

While client maturity, gender, and business type did factor into some behaviors, a person's cash flow was the greatest determinant of their financial practices. Clients who can plan for the future rather than live day by day have a greater likelihood of being able to save, budget, and determine financial goals.

## **CONCLUSIONS/RECOMMENDATIONS**

GATE's findings largely differed from its expectations. Few clear correlations were established between new and mature clients or the client's sex, business type, and financial behavior. Based on the analysis, GATE makes the following recommendations:

1. **Develop Multiple Modules.** PSHM clients display a broad range of financial behaviors. These behaviors differ by gender, business sector, experience, and ethnicity. PSHM should evaluate developing several modules that take into consideration the unique challenges and opportunities faced by different sectors and targeted populations.
2. **Develop Multiple Levels.** PSHM clients exhibit different levels of financial skills. While some could profit from training on all major topics, such as record keeping, budgeting, and financial planning, others demonstrate the capacity to save and have good record keeping skills, but lack the ability to develop strategies for reaching their financial goals. To be effective, the more focused PSHM's target audience is, the greater the necessity for targeted curricula.
3. **Grouping by Similar Businesses.** In order to facilitate a participatory learning environment where clients can benefit from the ideas and experiences of their

peers, trainings should be offered to groups of clients in similar businesses and with similar levels of experience.

4. **Concentration on Benefits of Behavioral Changes.** PSHM clients do not appear to have negative attitudes toward record keeping, budgeting, saving, and financial planning as has been seen in other transitioning countries. Rather, they seem unaware of potential benefits of altering their financial behavior. As addressed above, PSHM clients with positive financial behavior know, understand, and have seen first-hand the benefits of their practices. The focus then should not merely be on providing assistance and information, but should be geared toward influencing behavioral change.
5. **Prioritization of Principles.** Based on the preliminary findings, GATE suggests that PSHM focus on record keeping, budgeting, financial planning, managing cash flow, and financial problem solving strategies.
6. **Attention to Least Profitable Businesses.** The fact that a large percentage of women are entering the trade and retail sector, which is known to be least profitable, calls for attention. PSHM should consider exploring both reasons for why it is unprofitable and ways to advise clients about the difficulties of the sector.
7. **Training for both Men and Women.** Both men and women displayed an eagerness to learn skills to improve their business performance. Given the prevalence of family run businesses, where both the husband and wife are active participants, a family-based training approach might prove most effective.



# INTRODUCTION

This report was prepared for the Albania mission of the United States Agency for International Development (USAID) by the Greater Access to Trade Expansion (GATE) Project, Development & Training Services, Inc. (dTS), a task order for the USAID Office of Women in Development. The study was conducted in preparation for the development of Albanian Partners in Microcredit's (PSHM) financial education training program. It sought to understand gender differences in PSHM clients' existing behaviors, knowledge, skills, and attitudes; explore gender differences in how clients prefer to learn to inform the methodology, timing, and logistics of the training; and, generate a skills assessment of the trainers so that the education curriculum is designed to fit their capabilities.

## SCOPE OF STUDY

The assessment took into consideration two types of clients: 1) clients who have been with PSHM for one (1) year or slightly under and have only borrowed one time and 2) clients who have been with PSHM for over one (1) year and have borrowed more than one (1) time.

## RESEARCH FRAMEWORK

The study was conducted in preparation for the development of Albanian Partners in Microcredit's (PSHM) financial education training program. It sought to examine PSHM's client preferences for both training and pedagogical methods; understand the skills and capacities of existing PSHM staff that will deliver the training; and, integrate the findings into the final curriculum. The research agenda had three objectives:

1. Understand gender differences in PSHM's existing client behaviors, knowledge, skills, and attitudes.
2. Explore gender differences in client learning preferences to inform the methodology, timing, and logistics of the training.
3. Generate a skills assessment of the trainers so the education curriculum can be designed to fit their capabilities.

## RESEARCH ASSUMPTIONS

1. It is assumed that clients who have been with PSHM for longer than one (1) year have increased their financial understanding as a function of participating in the program.
2. It is assumed that responses to most questions vary by sex.
3. It is assumed that answers will vary by types of businesses. For example, individuals involved in manufacturing have greater need for and have greater financial knowledge than those in, for example, trading because of the nature of their business.
4. It is assumed that responses will vary by ethnic/cultural differences.

## FINANCIAL LITERACY

Overcoming poverty requires more than a permanent job or access to credit and a steady income generating activity. In addition to a regular income, a set of skills are

needed to make sound financial decisions, manage cash flow, and build savings. Sherraden sets forth that households and communities do not develop by income alone, but through saving and asset building as well.<sup>7</sup> Most people at or near the income-poverty line have difficulty meeting their basic expenses, much less have money available to save or invest. In addition to living on a day-to-day basis, beliefs also often impact the poor's ability to save, invest, and plan for the future. Research finds that some poor people believe that they cannot save or do not trust banks or financial institutions.<sup>8</sup> Teaching low-income individuals the knowledge, skills, and attitudes required to adopt money management practices for earning, spending, saving, borrowing, and investing, holds potential for improving their well-being and that of their families.

## **DEFINING FINANCIAL LITERACY**

Financial literacy is a broad term that encompasses different concepts to different people. Hogarth finds that most definitions include knowledge and understanding of basic financial concepts and the ability to use these to plan and implement financial decisions.<sup>9</sup> Basic financial concepts typically include: budgeting, saving, investing and insuring.<sup>10</sup> Further, Schagen and Lines define financial literacy as “the ability to make informed judgments and to take effective decisions regarding the use and management of money.”<sup>11</sup> With the focus placed on individual decision making in budgeting, spending, and savings, measuring financial literacy should be contextualized to the specific circumstances of the individual. Thus, knowledge is “only to be tested against an individual's needs and circumstances rather than against the entire array of financial products and services, some of which they will neither use nor need.”<sup>12</sup>

## **LITERATURE REVIEW**

Existing literature on financial literacy focuses primarily on explaining differing patterns of financial skills and knowledge in a given population<sup>13</sup> and examining the impact of individual financial education programs.<sup>14</sup> The most well known theory used to explain savings and asset-accumulation strategies is the behavioral life cycle hypothesis (BLCH) set forth by Shefrin and Thaler.<sup>15</sup> The model asserts four propositions. First, individuals have difficulty resisting the temptation to spend money. Second, individuals create their own incentives or restraints to assist them in saving. Third, individuals categorize economic resources into different “mental accounts.” Finally, the amount and source of income received determines how resources are earmarked for spending.<sup>16</sup> Based on the framework of the BLCH, financial education classes can provide “rules-of-thumb” and other psychological tools for assisting individuals with maintaining their assets.<sup>17</sup> Further, educating individuals on budgeting skills can help them make behavioral choices that will increase their ability to save. Financial education programs complement workforce development, providing individuals with the tools to make financial decisions and participate in the mainstream financial system.

## **INDIVIDUAL BENEFITS OF FINANCIAL EDUCATION**

Financial education is particularly relevant for people who are resource poor and vulnerable to downward financial pressures. Women, for example, often assume the responsibility for household cash management under difficult circumstances and have few resources to fall back on. Women often lack the skills or knowledge to make well informed financial decisions. Acquiring financial literacy can increase their decision making power and

prepare women to cope with the financial demands of daily life. In addition, it can help them prepare for life cycle needs and manage unexpected emergencies without assuming unnecessary debt.<sup>18</sup>

Financial education equips entrepreneurs with the knowledge, skills, and attitudes required to adopt money-management practices associated with earning, spending, saving, borrowing, and investing money. Participants in financial education benefit from: the knowledge and skills to wisely manage their money; the capacity to more effectively use financial services; increased self-esteem and confidence as a result of incremental successes in achieving financial goals; and, greater ability to demand higher quality products and services from their financial institutions. Financial education can play an important role in helping men and women choose among various financial options and better manage their financial resources.<sup>19</sup>

While financial education programs abound in developed countries, financial education for the poor in developing and transitioning countries is relatively new. While still few in number, several findings have emerged. Research reveals that savings and debt strategies are of central importance. The poor often respond reactively to immediate needs and problems without effectively evaluating options, trade-offs, and long-term consequences. In addition, women, in particular report a sense of powerlessness in addressing financial issues—at banks, in business relationships, and within their households. This lack of power can be attributed to both a lack of knowledge of financial concepts as well as negotiation skills.

### **COMMUNITY BENEFITS OF FINANCIAL EDUCATION**

Beyond, the obvious benefits to having emergency savings to fall back on, communities benefit when low-income families accumulate assets: community involvement increases, women's status improves, and well being of children improves.<sup>20</sup> Research finds strong correlations between parental asset holding and educational attainment of children.<sup>21</sup> Hill and Duncan found that the impact of parental asset holding and children's education to be particularly positive for daughters.<sup>22</sup> They note:

Higher schooling levels are observed for sons and daughters raised in families with asset income. . . Families with asset income may be better able to set and attain goals for their children's education, quite apart from the total amount of savings they have available for that purpose.<sup>23</sup>

Individuals with assets are able to increase their well-being through a future orientation.<sup>24</sup> Further, in societies where community and kin networks are important sources of emergency funds (informal loans among family members and friends), increases in asset accumulation is of particular importance.<sup>25</sup>

### **INSTITUTIONAL BENEFITS TO FINANCIAL EDUCATION**

Providing financial education training not only benefits the individual entrepreneur, but also the institution by: attracting and retaining more clients; accumulating better market information for improving products and services; and, maintaining a competitive edge. Studies show that community-based organizations are the most well-suited to deliver financial education training because they understand the financial education needs of their community and have staff who can communicate comfortably with the participants.<sup>26</sup>

## **LESSONS LEARNED**

The financial education “industry” is most mature in the United States and Europe; thus, this section focuses primarily on the lessons learned from these two regions. In the United States, for example, the Savings are Vital to Everyone’s Retirement (SAVER) Act mandates a series of national summits on financial literacy and planning. And, the United Kingdom recognizes the importance of establishing positive financial behaviors at an early age and has developed a curriculum for 5-16 year olds that encourages financial management and planning skills. Further, dozens of NGOs in the United States exist to promote advocacy, research, and capacity among financial education institutions such as JumpStart Coalition for Personal Financial Literacy, the National Endowment for Financial Education (NEFE), and the National Council on Economic Education. Through the efforts of these organizations, hundreds of financial education programs are delivered through schools, universities, and community centers throughout the United States.<sup>27</sup>

To develop an effective financial education program, Braunstein and Welch put forward six questions that need to be addressed: who is the targeted audience; what does the audience need to understand based on their financial circumstances; when is the appropriate time to introduce the individuals to general and specific financial information; where should the program be held; how will the information be most effectively delivered; and how to measure the effectiveness and impact of the given program.<sup>28</sup>

Hogarth and Swanson find that first and foremost it is important to understand the learners’ views about knowledge, how it is produced, and the process through which knowledge is gained.<sup>29</sup> Luttrell’s examination of working class women found that their ways and methods of learning were embedded in community, family, and working relationships.<sup>30</sup> O’Neill et al. assert the correlation between preferred information delivery strategies and gender, geographic area, marital status, age, and length of participation in a financial literacy program.<sup>31</sup> In addition, Hogarth and Swanson observe that low-income consumers preferred to learn from friends and peers with successful management skills.<sup>32</sup>

Rather than simply providing financial information, Hogarth, Beverly, and Hilgert set forth the necessity of providing education: “Education implies changes in behavior; it may require a combination of information, skill-building, and motivation to make the necessary changes.”<sup>33</sup> They maintain that targeted and tailored financial approaches will be more effective than those that pursue one-size-fits all approach. Due to the fact that not only are there various topics of financial education, but that there are also various levels within each topic, accommodation is required based on the depth of needs of an audience. For example, some participants may need all the basic financial topics, while others may simply need modules that cover saving and investing for their futures. In the same way that curriculum must be tailored, so too must the delivery techniques.<sup>34</sup>

## **THE CASE FOR FINANCIAL EDUCATION IN ALBANIA**

The transition from a state economy to a market economy has impacted Albanian men and women in different ways. Changes in the composition of the formal economy have reconfigured the labor force. Whereas unemployment for both men and women has increased, male unemployment has largely been mitigated by migration. Male migration has not, however, led to female labor substitution; in fact, between 1989 and 2001, female

unemployment increased by 110 percent. The significant decline in female labor force participation (-211 thousand from 1989 to 2001) leads analysts to suspect that women are moving into the informal economy.<sup>35</sup> A 2002 IMF study estimates that the informal economy generates approximately 23.4 percent of Albanian GDP.<sup>36</sup> Other studies speculate the share to be as high as 30 to 60 percent of GDP reflected by the fact that only 31.3 percent of the labor force is employed under permanent contracts.<sup>37</sup>

The movement from the formal to the informal economy has increased women's participation in private enterprise. While women entrepreneurs play an increasingly important role as employers, customers, suppliers, and competitors, women's entrepreneurship is regarded as an untapped source of economic growth. In order to augment and enhance the participation of women in private enterprise, the Global Entrepreneurship Monitor's 2005 cross-national assessment of women's entrepreneurial activities determined that efforts should focus on education, financial assistance, network development, and mentoring. While financial assistance is available to Albanian entrepreneurs through formal and informal institutions and the Government of Albania, donors and non-governmental organizations (NGOs) have attempted to promote the involvement of women in private enterprise through trainings on how to start a business; preparation of business plans; and, basic accounting procedures. Yet financial education is missing from the set of skills being promoted. In order for entrepreneurs to more effectively manage their loans and maintain and grow their income generating activities, financial education is needed.

PSHM, established by a USAID-funded grant to Opportunity International, helps Albanian micro and small entrepreneurs develop their businesses through provision of credit and basic business consulting. With over 8,000 clients throughout Albania, PSHM will aid the development of financial literacy in Albania by offering a pilot financial education training program for female clients in Tirana. Currently 48 percent of PSHM's loans are traced to women. In order to develop financial education training curriculum that effectively meets the level of the learner and needs of these borrowers, GATE conducted an in-depth needs assessment of PSHM's prospective participants.

## **FIELD METHODS**

### **RESEARCH TEAM**

The research was conducted by Kara Nichols Barrett in consultation with Marceline White (GATE Deputy Director), Nancy Horn (Assessment/Training Specialist), and PSHM staff. Elisabeta Mema, GATE's Albania project assistant, provided invaluable assistance in the field. The structured survey was administered by PSHM interns.

### **RESEARCH LOCATION**

The qualitative assessment was conducted in coordination with four (4) PSHM branches: Tirana, Kukes, Vlora, and Elbasan. The interviews were conducted in primarily urban settings. The structured survey was administered in urban, rural, and peri-urban settings in 14 areas: Fier, Shkodra, Durres, Korce, Peshkopi, Fruje Kruja, Elbasan, Lushnej, Gjirokaster, Sarande, Kavaje, Tirana, and Vlora.

## RESEARCH BIASES

As mentioned above, the qualitative assessment tools were primarily administered in urban settings. Participants were randomly selected by PSHM loan officers, but with regard to client's ability to provide the desired information as well as their proximity to the respective PSHM branch office. Only active PSHM clients were interviewed.

## RESEARCH PROGRAM/METHODS

The financial education needs assessment was designed to be both qualitative and quantitative in order to understand the complexities and diversity surrounding PSHM client financial behaviors as well as to quantify the significance of patterns. The study used Individual In-Depth Interviews, Focus Groups, and a structured survey to triangulate existing PSHM clients' financial skills, attitudes, and behaviors.

## ASSESSMENT TOOLS:

1. *Client in-depth interviews*: explored client business and familial financial behaviors including: record keeping, negotiation skills, savings, budgeting, marketing, attitudes towards financial institutions, and knowledge gaps.
2. *Positive Deviant Interviews*: examined the characteristics, skills, and attitudes of clients possessing positive financial behavior.
3. *Client Learning Preference Questionnaire*: explored how clients like to learn, how often they want education, and for how long.
4. *Client Structured Survey*: explored current client financial behaviors, skills, and attitudes.
5. *Client Focus Groups*: aimed at a better understanding of client behaviors, knowledge, skills, and attitudes, and also at exploring gender differences in decision-making processes.
6. *Loan Officer Interviews*: served to better understand current client behaviors and knowledge gaps.
7. *Trainers' Skills/Capacity Assessment Survey*: focused on understanding potential PSHM trainers' current financial skills and capacities for leading financial education training program.

**TABLE 1: SUMMARY OF FIELD METHODS**

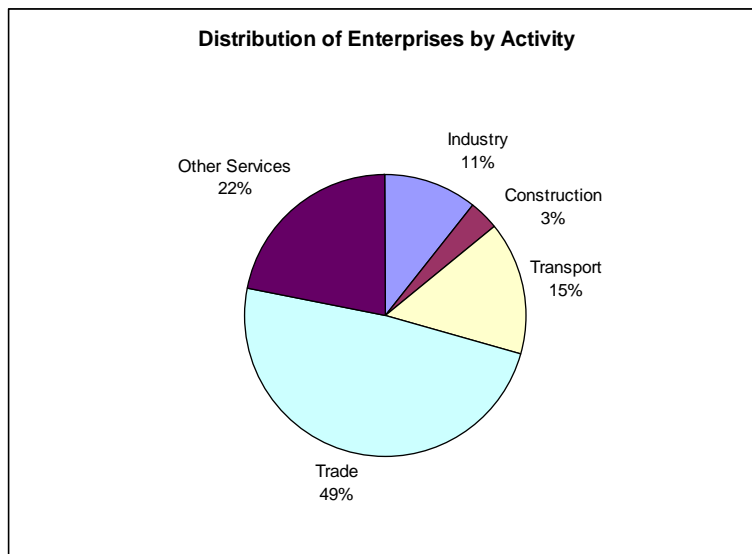
METHOD	INSTRUMENT	# OF PARTICIPANTS
In-depth Interviews	First Time Female Clients	12
	First Time Male Clients	12
	Mature Female Client	13
	Mature Male Client	8
Positive Deviants		9
Learning Preference Questionnaire		30
Structured Survey	Female Clients	89
	Male Clients	108
Focus Groups	Focus Group Discussion – Men	6
	Focus Group Discussion – Women	5
Loan Officer Interviews		11
Skills Assessment		15
<b>Total</b>		291

## CONTEXT OF ENTREPRENEURIAL ACTIVITIES IN ALBANIA

From 1945-1991, Albania had a planned economy. Unlike most Eastern European countries, which returned to their former market-based economy after the Cold War, Albania began transitioning to a market economy for the first time. Money, prices, costs, and interest rates played a very limited role in Albania's planned economy. Further, prior to the market transition, enterprise behavior was affected by "soft" budgets, which allowed them to disregard both the financial aspects of their operations and markets for their production.<sup>38</sup> Soft budget constraints refer to a phenomenon where the relationship between expenditures and earnings are relaxed, because another institution, most often the state, pays for the excess expenditures and earnings of the company. The privatization process has decreased the dependence of firms on the state budget.

In July 1990, private handicrafts and family trade businesses were legalized. By 1991, 1,500 private entrepreneurs were operating in the country, with around 7,000 privatized services including fruit and vegetable traders, butchers, restaurants, and craftsmen.<sup>39</sup> As of 2002, the Business Statistical Register of Enterprises reported the existence of 56,159 enterprises, 99 percent of which are micro, small or medium in size. Chart 1 below, depicts the registered enterprises by sector.

**CHART 1: ALBANIAN REGISTERED BUSINESSES BY SECTOR**



SOURCE: INSTAT, Labor Market 2002 and Results of Annual Structural Survey of Economic Enterprises. Tirana: Albanian Institute for Statistics, 2002.

## PYRAMID CRISIS

During the initial years of transition, in addition to the Small and Medium Enterprise Foundation, private business only had three secondary banks as sources for loans: the Savings Bank, Commercial Bank, and Rural Bank. In 1996, as a result of bank immaturity and incompetence, 30 percent of loans were not paid on time. This, in addition to decreasing household savings and deposits placed banks in an even more difficult situation. Informal credit markets emerged to meet the unfulfilled demand for private sector credit. As in a typical pyramid scheme, the funds attracted investors by offering high returns. The high returns were to be paid out to the first investors with the funds received

by those who invest later. In 1997, the country's entire financial structure collapsed following the implosion of countless pyramid schemes. Nearly two-thirds of Albanians invested in the scheme, and when it collapsed they collectively lost 1.2 billion dollars.<sup>40</sup>

### **ALBANIAN MINORITIES: ROMA AND EGYPTIANS**

While the Communist Party sought to eliminate cultural diversity, it did provide support for its poorest and most marginalized minority communities including some Roma and Egyptians.\* As a result, both communities saw improvements in their employment, education, housing, health care, and access to social services during the socialist period. When the 1976 constitution was adopted, which sought to establish a “truly” Marxist-Leninist state by eliminating all private business and private property, many Roma were allowed to continue their small scale private enterprises, including dealing in horses, selling traditional copper and wickerwork products, and other articles. The end of socialism, however, marked the commencement of a sharp decline from relative well-being to poverty.<sup>41</sup>

According to official statistics 98.7 percent of adult Albanians are literate; however, there is a large discrepancy between education levels and literacy within the Albanian and Roma and Egyptian populations. Literacy rates differ by region; recently, the World Bank found that in Shkodra 100 percent of Roma and 67.5 percent of Egyptians are illiterate. Furthermore, Roma on average attend 4.2 years of school (3.96 female; 4.07 males) and Egyptians attend on average 5.06 (5.13 female; 4.98 male) years of school. Differences in education levels were observed among participants in GATE's research by ethnicity. The majority of Albanian participants had at least a high school education, while Roma and Egyptians had between four (4) and eight (8) years of primary school education.<sup>42</sup>

While unemployment has impacted all of Albania, Roma and Egyptians have been disproportionately affected. In 1996, the overall unemployment rate in Albania was 18 percent. However, for Roma communities the rate was between 80 and 90 percent as a result of low employment skills, discrimination, and the collapse of various state-owned industrial and agricultural enterprises.<sup>43</sup> As of 2002, the unemployment rate for Roma was 71 percent and 67 percent for Egyptians. Of those employed, 93 percent Roma and 82 percent Egyptians were working without employment contracts in small businesses. Since the end of socialism, their traditional vocational skills have decreased in value. One Roma explained, “Now it is more difficult to sell our baskets to Albanians, because they use plastic buckets instead. So we have lost our market and no longer produce baskets since nobody wants to buy them.”<sup>44</sup>

In addition to skills mismatch, Roma and Egyptians also face discrimination in the formal labor market. Thirty percent of Roma and 32 percent of Egyptians cite their ethnicity as the main barrier to overcoming unemployment. A leader of a Roma association stated “Before the transition, there was no discrimination against Roma by the state—neither regarding wages for those who were employed, nor in finding employment in state enterprises for those who were unemployed. Today, however, when it comes to hiring Roma, the private

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\* There are approximately 120,000-150,000 Roma and Egyptians in Albania. The origins of both minority groups are unclear. Based on linguistic evidence, scholars think that Roma migrated from India in ninth century C.E. Egyptians, on the other hand, trace their decedents to Egypt, arriving either in the third or fourth century C.E. De Soto et al. *Roma and Egyptians*.



sector prefers Albanians to Roma, because of some stereotypes that Roma, for instance, are not honest, or are not qualified to do the job properly.”<sup>45</sup>

**Trade in Used Clothes.** The used clothes business has been a principle source of income for many Roma and Egyptian families. The market for used clothes in most cities has been dominated by Roma families. Some Roma families during the socialist period were able to accumulate savings through their small enterprises. After 1991, they purchased used clothing in bulk from Macedonia, Bulgaria, and Turkey and sold them in Albania.

From 1991 until the mid-1990s, the used clothes business increased due to a high demand and low prices. Roma families involved in the business were able to make a good living. However, after the mid-1990s, the profitability of the business began to decline because increased poverty rates decreased the demand for goods and competition increased as more Roma, Egyptians, and Albanians entered the market.

Today, many Roma families are still involved in the business. The majority purchase their goods from wholesalers, who transport the goods from Italy and Greece. Only a few families, however, have been able to transition from used clothes to new clothes.<sup>46</sup>

## OVERVIEW OF PSHM

PSHM is the implementing partner of Opportunity International in Albania. With the support of USAID, it began operations in June 1998. PSHM currently serves approximately 8,000 clients and loans over six (6) million dollars a year.

### MISSION

To help people to develop sustainable economic activity through offering credit, advice and training support focusing on excellent standards of client service.

### CLIENT TARGET:

- Low income people
- Small active entrepreneurs that run or intend to start a business

### ELIGIBILITY CRITERIA

- Age 18-65 years old.
- Permanent home or business address, or the permanent address of a contact person who will be obligated to let PSHM know the location of the client.
- Albanian citizen or resident for at least 5 years.
- Six months of experience in the current activity.
- Must own, or wish to open, a business.

Table 2 summarizes PSHM's loan products.

TABLE 2: PSHM Loan Products

Product	Target Group	Loan Amount	Term
OK Livestock	-Village families who want to increase their number of cows or other livestock. -Village women who want to increase their livestock.	-40-60% of the cow price ( up to 1,200,000 Lek or 12,000 USD)	loan term up to 18 months
OK 100	-Potential clients that lack collateral and payment capacity to apply for other loan products. -Economically active family run activities and small entrepreneurs, who use short-term financing for investment needs.	10,000-200,000 Lek (100-2,000 USD)	6 to 12 months
OK 200 (Agriculture)	-Potential clients that lack collateral and payment capacity to apply for other loan products. -Economically active family run activities and small entrepreneurs, who use short-term financing for investment needs.	10,000-200,000 Lek (100-2,000 USD)	6 to 18 months
OK 500	-Potential clients that lack collateral and payment capacity to apply for other loan products. -Economically active family run activities and small entrepreneurs, who use short-term financing for investment needs. -Families with farming activities who want to increase their incomes and investments.	20,000-400,000 Lek (200-4,000 USD)	Up to 24 months
OK 1,000	-Potential clients that lack collateral and payment capacity to apply for other loan products. -Economically active family run activities and small entrepreneurs, who use short-term financing for investment needs. -Families with farming activities who want to increase their incomes and investments.	40,000-1,200,000 Lek (400-12,000 USD)	Up to 30 months
OK 5000	-Businesses that are part of cluster opportunities.	1,200,000-5,000,000 Lek (12,000-50,000 USD)	4 to 48 months
OK Housing	-Families that are building a house or want to reconstruct or redecorate their existing house. -Families living in informal areas who want to legalize their house based on the Legalization law.	10,000-1,500,000 Lek (100-15,000 USD)	6 to 48 months
OK Family Tourism	-Families involved in tourism activities, who rent out their property for part of the year and have alternative incomes during the rest of the year.	10,000-1,000,000 Lek (100-10,000 USD)	Up to 24 months

PSHM clients largely operate activities in livestock and agriculture, trade, production, and transport and services. Based on a 2004 PSHM report, 13 percent of clients were involved in livestock and agriculture, 46 percent trade, 11 percent production, and 30 percent transport and service.

## SURVEY DATA

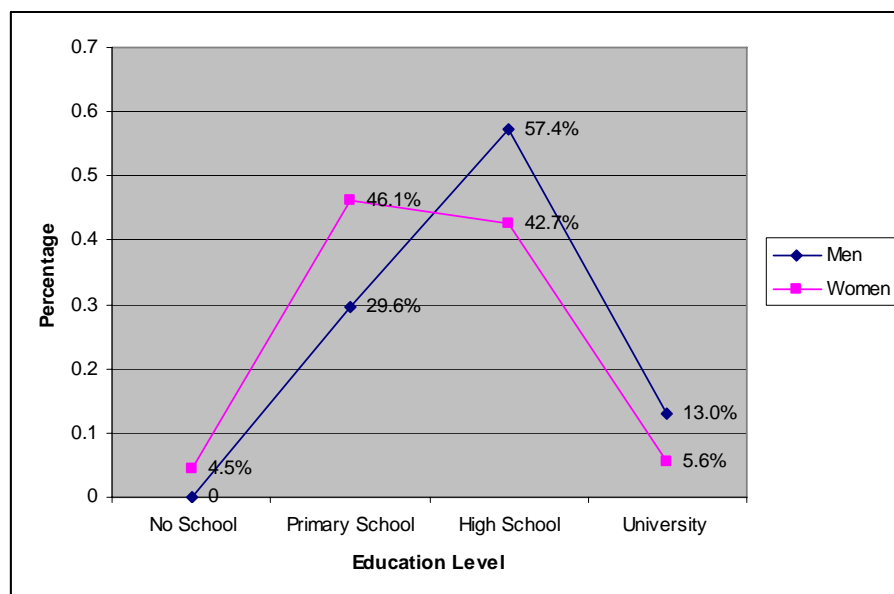
Of the 197 PSHM clients that participated in GATE's survey, 45.2 percent were women and 54.8 percent were men. Forty-seven percent of women interviewed were new clients and 53 percent were mature clients. \* Forty-eight percent of men interviewed were new clients and 52 percent were mature clients. Client locations of the sample were as follows: 59.7

\* PSHM's most popular product.

"Mature" refers to clients that have taken out more than one (1) loan and been with PSHM for more than (1) year.

percent of participants reside in urban areas, 16.3 percent in peri-urban areas, and 24 percent in rural areas. The median age of participants was 39 for women and 43 for men. Eighty-four percent of women and 90.7 percent of all men surveyed were married. The median number of dependents for both female and male clients was two (2) and the highest number of dependents reported was five (5) for women and seven (7) for men. The education levels of participants are depicted below (See Chart 3). The majority of participants had either primary education (4-8 years) or a high school degree. More men than women had university education—13 percent of men in comparison to 5.6 percent of women. No male clients reported having had no school at all, whereas 4.5 percent of women sampled had not received any schooling.

**CHART 3: PSHM CLIENT EDUCATION LEVELS BY SEX**

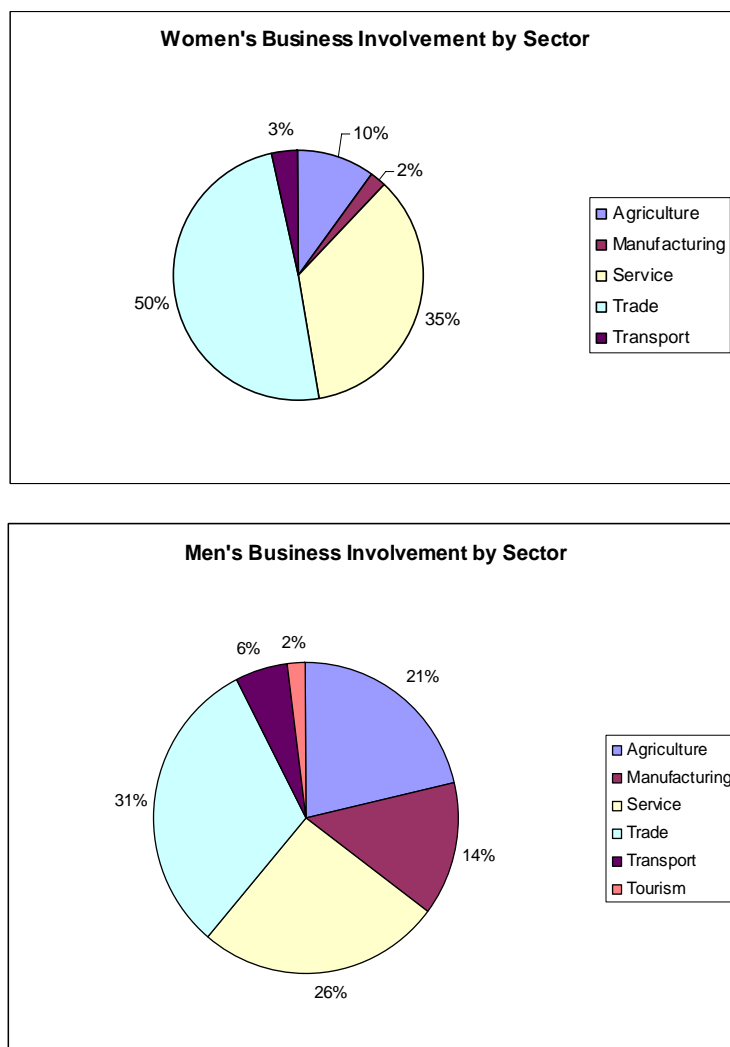


Source: GATE Survey September 2006

For 88.8 percent of female respondents and 89.7 male, the business that they owned and operated was their principal source of income. Twenty-nine percent of women and 25 percent of men characterized themselves as living day to day, rather than planning for future expenses. Further, 23.6 percent of women and 21.3 percent of men described their income as irregular, and 12.5 percent of women and 4.6 percent of men reported that the income they generated was not sufficient to meet their business/household expenses.

Chart 4 below shows the sectoral involvement of PSHM clients by sex. While women were primarily concentrated in trade and services, men were spread throughout trade, services, agriculture, and manufacturing.

**CHART 4: PSHM CLIENT INVOLVEMENT BY SECTOR AND SEX**



The majority of businesses had no hired employees. Only five (5) female clients surveyed had any employees, and these were in the service sector. The highest number of employees for women-owned businesses was four (4). In contrast, 33 men reported having employees. These respondents were involved in agriculture, service, manufacturing, transportation, and trade. The highest numbers of employees given was 20, and this was in the manufacturing sector. The median number of employees for male PSHM clients in the manufacturing sector was three (3) employees.

Considerable discrepancies were found in relation to education level and sector of involvement. Whereas the majority of women (52.3 percent) involved in trade had only 4-8 years of education, most (58.1 percent) women in the services had a high school

education. The only men and women surveyed who had a university degree operated businesses in manufacturing.

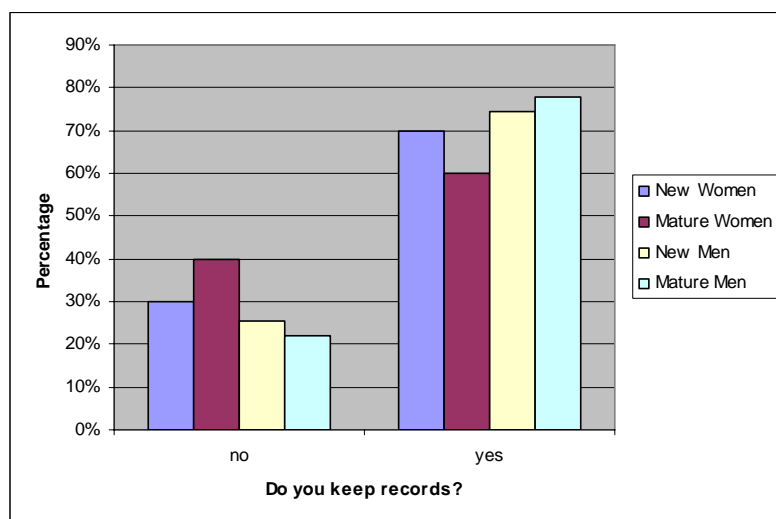
## ANALYSIS OF FINDINGS

GATE's assessment tools examined record-keeping, financial planning, saving, borrowing, budgeting, financial goals, negotiation skills, business decision making, marketing, perspectives on financial institutions, and learning preferences.

### RECORD KEEPING PRACTICES

Based on the survey data, depicted in Chart 5 below, client record keeping practices did not greatly differ by gender or client maturity. Seventy-percent of new women, 60 percent of mature women, 74 percent of new men, and 78 percent of mature men clients did keep records.

**CHART 5: CLIENT RECORD KEEPING PRACTICES**



Source: GATE Survey September 2006

Differences in record keeping practices were observed based on the type of business, the level of experience in business, and nature of the operation. For example, family run businesses often perceived that because all the money was kept within the family, it was not necessary to keep detailed financial accounts. Businesses that had employees, however, would often task an employee with book keeping. Paying wages on a monthly basis was seen as one impetus for record keeping. Other insights were provided into why clients may not choose to keep detailed records. One was that often the loans were made to very poor individuals who lack the knowledge of how to keep accurate records. Other clients modeled the behavior of family members or friends who operated small enterprises, possessing the mindset that "My brother has a business and he never keeps track of his expenses, so why should I keep records?"

Client education levels and record keeping levels were examined. While male education levels did not appear to affect record keeping practices, women's education levels did. For example, 75 percent of men with a high school education and 75 percent of those with

primary education kept records. In contrast, 76.3 percent of women with a high school education kept records and 56.1 of those with primary education did. The sample of clients with no education or with university education was too small to draw any significant conclusions. While causality cannot be established in this study, it is important to consider education levels when designing curricula on record-keeping principles that will effectively communicate to the target audience.

Clients who did not keep written records of their transactions were reported to keep quite accurate mental calculations of their inventory and profit.

*When it comes to money, everyone is careful to count it one way or another.*

One loan officer explained that when a client comes in and asks for a \$1,000 loan and is asked about their inventory they will not provide written records but, “will think to themselves for a couple minutes, mentally calculate it, and provide an answer.”

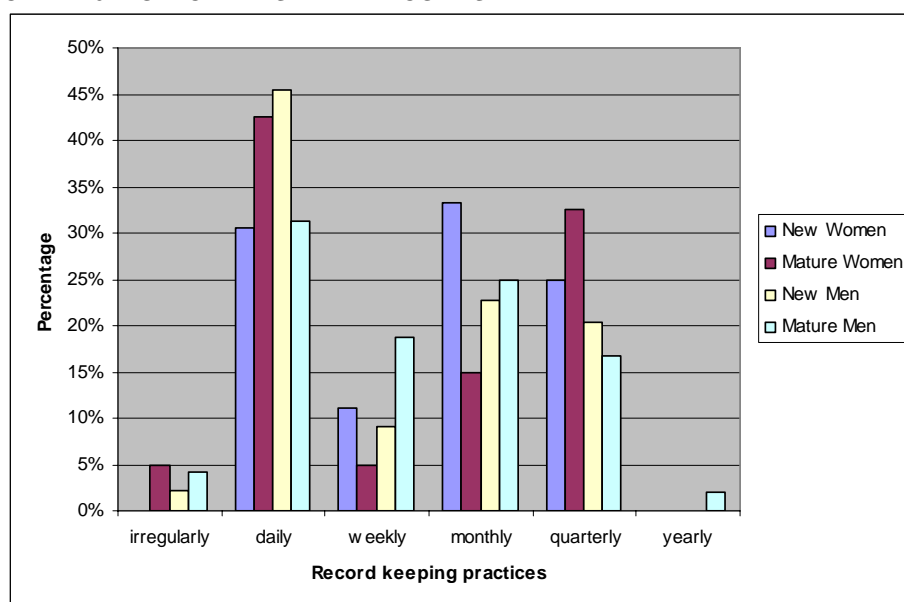
The methods of written record keeping varied from making notes on scraps of paper to recording income and expenditures in a ledger to, in a few cases, using accounting software. The first method was used primarily by individuals operating enterprises in the outdoor market, the second by shop owners, and the third by health services providers.

The survey results did reveal some correlation between record keeping practices and cash flow. Sixty-one percent of women and 40.7 percent of men who lived day to day did not keep records, compared with 74.6 percent of women and 80.2 percent of men who planned for future expenses and did keep records.

## FREQUENCY OF RECORD KEEPING

Chart 6 describes the responses to inquiries over how long clients kept their records.

**CHART 6: HOW CLIENTS KEEP RECORDS**



Source: GATE Survey September 2006

Thirty-six percent of females and 35 percent of males who participated in in-depth interviews reported to keep records on a yearly basis. This finding was significantly higher than the responses of loan officers, who estimated that 10-30 percent of their clients kept track of their income and expenses on a yearly basis. It is worth noting, however, that the survey results also differed tremendously from the findings above. Only one man in the entire survey reported to keeping records on a yearly basis.

Sales and expenditures were most often recorded on a daily basis and kept until the balance was prepared at the end of the month or kept for the duration of the year. Respondents who reported keeping records on a yearly basis had been in business for more than two years and ran either shops or hotels. While the majority of clients with advanced business experience had been PSHM clients for more than one year, many new clients also possessed more than two years of business experience and did not report keeping records beyond a one-month period of time. No strong correlations were found in relation to type of business and how clients kept records.

### **PURPOSE OF RECORD KEEPING**

Four responses were provided to questions concerning the purpose of record keeping. The main reason clients reported keeping records was to determine their profit and pay their bills. The second most frequent response that clients gave was that they wanted to know where their money was.

*If I don't keep records, I'll become like the pyramid scheme.*

Thirdly, clients reported keeping records in order to track the progress of their business.

*If you don't keep a daily, weekly, monthly, and yearly, budget, you won't know where you are going.*

The least frequented response was in order to compare the enterprise's operation on a monthly and yearly basis.

*I write down everything. How can you run a business without keeping records? Every day, I write down what I spend and what I make. I keep the records and compare them on a monthly and yearly basis. From the very beginning, I've always kept records like this. I can't live without them; it's like a disease. I've seen the benefits too; I always know where my money is.*

The reported purpose of record keeping correlated to how long they keep their records. Clients who maintained records on a daily, monthly, or seasonal basis reported keeping records to track their profit and see where their money was going. In contrast, clients who kept records annually did so in order to track their progress and their businesses performance by month and by year.

### **FINANCIAL PLANNING**

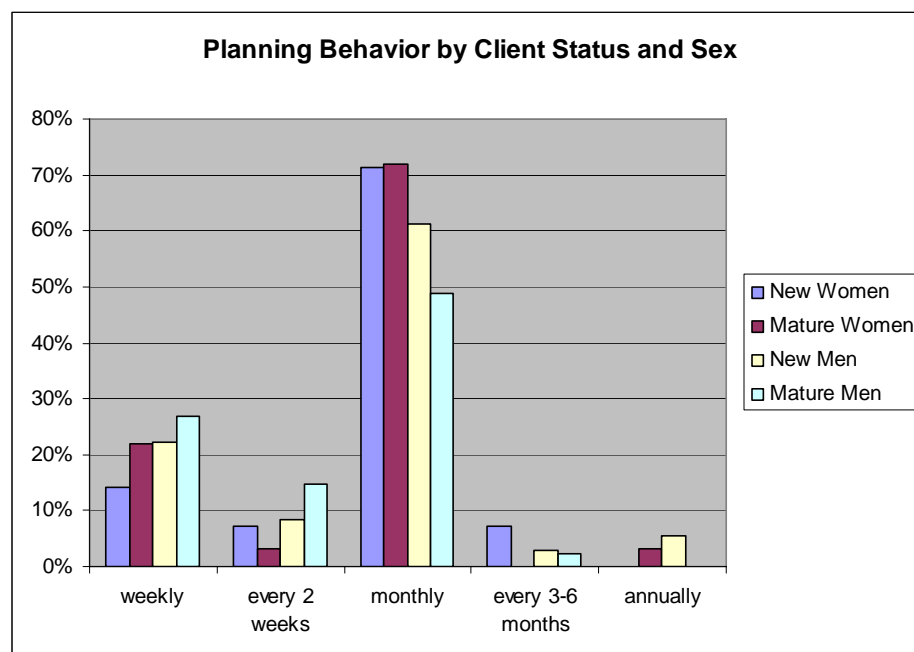
Albanians do plan business and family expenses, but they do not consider these actions to constitute "planning." Planning, according to PSHM clients is a practice associated with a large company, not a small enterprise or family unit. Several clients reported that planning is not part of Albanian culture. The conceptualization of planning also differed among

population groups. Several Roma clients explained that they did not plan and instead evaluated their needs on a daily basis because:

*If I die tomorrow what good is my plan. If you plan something, it will never happen.*

Chart 7 below describes the typical time horizon for planning expenses among PSHM clients.

**CHART 7: PSHM CLIENT FINANCIAL PLANNING PRACTICES**



Source: GATE Survey September 2006

Significant behavioral differences were not observed between men and women or new and mature clients. However, certain correlations were observed between financial planning and record keeping.

**Daily.** The majority of clients who planned expenses on a daily basis owned small enterprises selling new or used goods in the outdoor market. There was a correlation between clients who kept records on a daily basis and those who planned expenses day by day. Persons in this category planned only basic expenses, including those for their income generating activities and their families' daily needs.

*I know how much I make every day and then I decide how much to spend on my family and how much to put back into my business.*

**Weekly.** All clients in this category ran a shop and kept records of their expenditures for up to a month. In contrast to the aforementioned clients, individuals who planned expenses on a weekly basis reported planning for long-term goals such as house reconstruction and their children's education, in addition to meeting their shop and families' basic needs.

**Bi-Weekly.** While all respondents in this category owned a shop, there was no clear link between their record-keeping behavior and the period of time they planned for. However,



clients did seem to plan for all of the same items as those who planned on a weekly basis, with the addition of family vacations.

**Monthly.** This is the largest and most diverse category of clients, including people selling used clothing, owners of hotels and salons, and individuals involved in agricultural activities. Based on qualitative data, no clear patterns could be established between type of business and financial planning. The types of expenses planned for matched those of individuals who reported planning on a bi-weekly basis.

*At the end of the month I sit down and write down everything that needs to be paid. I'd rather have less to spend on my family than not pay my bills.*

**Seasonally.** Clients in this group, though diverse in types of income generating activities and patterns for record-keeping, all reported that the types of items they planned for were based on the amount of profit they generated seasonally.

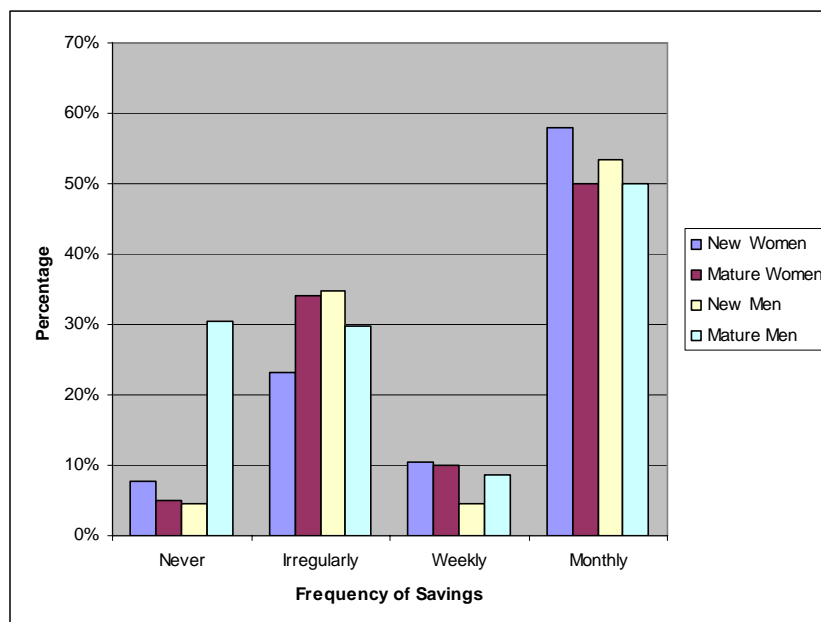
*During communism it was easy to plan because you had a set salary and now our income depends on how the business is going and that varies from month to month.*

As noted above, the majority of participants did plan expenses. However, since they did not identify their behavior as planning, alternative ways of explaining and discussing planning should be explored. In addition, the effect of fatalism on financial behavior should be explored among those who do not plan.

## SAVINGS

The vast majority of PSHM clients save; 92.9 percent of women and 91.3 percent of men. However, not all PSHM clients are able to save on a regular basis. Chart 8 depicts the frequency of PSHM clients' saving behaviors.

**CHART 8: FREQUENCY OF SAVINGS**



Source: GATE Survey September 2006

The frequency and regularity of savings behaviors strongly correlate to the client's cash flow. Thirty-one percent of female clients reported living day to day; of those, 15 percent report they never save and 54 percent save irregularly. On the other hand, of the women who reported planning ahead for future expenses, 67 percent saved on a monthly basis and only 17 percent saved irregularly. Male clients demonstrated similar results. Twenty-five percent characterized themselves as living day to day. Of that group, 12 percent never saved and 53 percent saved irregularly. Of men who plan for future expenses, 56 percent saved on a monthly basis, 23 percent saved irregularly, and 7 percent never saved. Interestingly though, when looking at savings and client maturity, the highest concentration of clients who did not save were mature male clients.

Clients who either do not save or save irregularly attributed their difficulty in saving to the limited size of their business and fluctuations in business performance.

*We save when we have a good day. Our business is very small, so we are only able to put aside a very small amount.*

*If my business does well then at the end of the month I set aside some money. If not, everything goes toward paying for business expenses.*

*After I sell my pallet of clothes, if I make a profit I set aside some money. Often, I don't make a profit at all.*

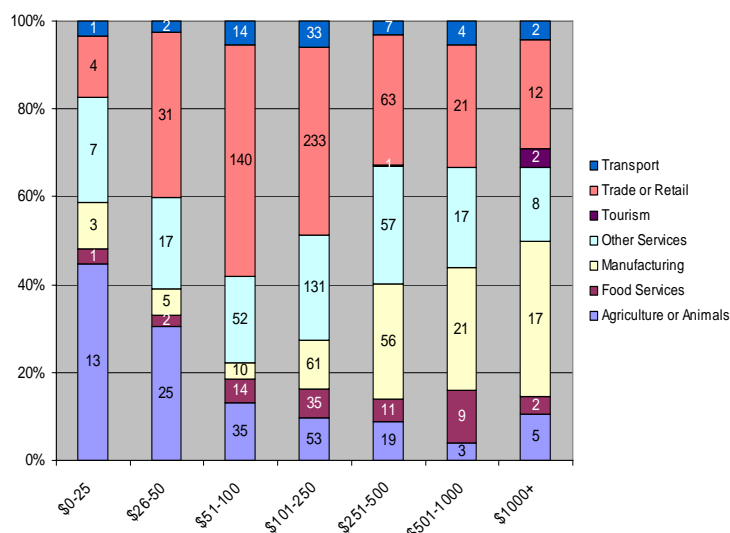
The inability of some clients to save on a consistent basis is constrained by the seasonality of their business.

*Some seasons are better than others. During a good season, I set aside some money; if not, all my money goes to paying for business expenses.*

*During the summer months, I am able to buy the best quality of cheese for the winter. So, during the summer months I am not able to save.*

A recent report by PSHM evaluated the profitability of enterprises by business type (See Chart 9). It noted that trade and retail businesses are among the least profitable, and that 43 percent of their clients involved in trade and retail are women. All women who reported to save occasionally also reported to having income generating activities in the trade and retail sector. In order to address the financial education needs of women in the trade and retail sector, further understanding is needed on several levels: why women congregate in this sector, why it is the least profitable, and what skills are needed for women to move into more profitable sectors.

**CHART 9: NET PROFIT PER WEEK BY BUSINESS TYPE**



Source: PSHM Report 2004

An issue that should be considered along with the frequency of saving is the ability to save. It appears that many clients recognize the importance of saving.

*Life has good things and bad things. You will not find one Albanian who does not save money for the bad times.*

*I have a certain amount of savings set aside for family crisis that I never touch. I would rather not eat than not be prepared for a crisis.*

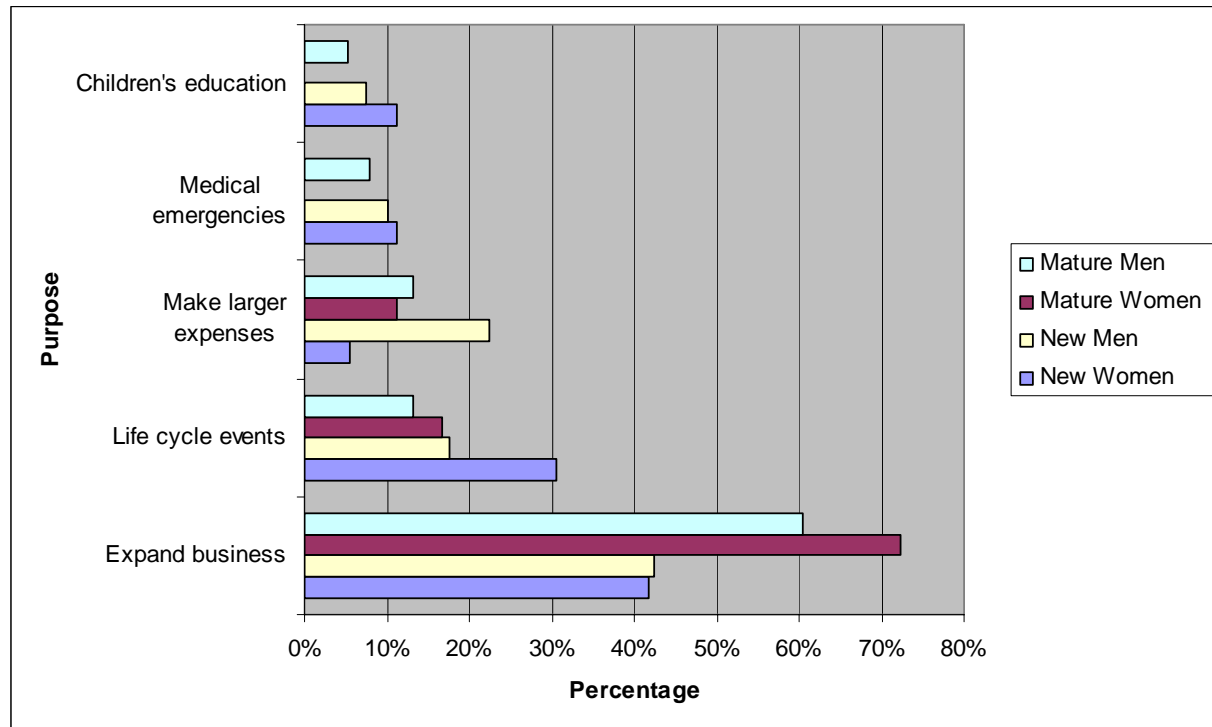
Since the majority of clients do save, training curricula should focus on cash flow management and helping participants to save more.

Inquiries were made not only about the frequency of PSHM clients' savings, but also how clients use their savings. One category that appeared in our research, but which did not show up in the recent PSHM reports on savings spent on non-business items is the amount of savings spent on wedding gifts. A majority of PSHM clients, who participated in the in-depth interviews, regardless of gender, business type, or client maturity, reported the necessity of putting aside money for wedding gifts for family members and friends.\* Given the importance of such life cycle events in Albania, trainings may want to address differential strategies for saving for durable goods versus non-durable goods, such as gifts.

\* Clients reported that one is expected to give approximately 100 Euro as a wedding gift. For many PSHM clients this is the equivalent of a month's income.

The survey results revealed that the majority of mature clients —72 percent of women and 61 percent of men—saved in order to expand their business (See Chart 10).

**CHART 10: PURPOSE FOR SAVING**



Source: GATE Survey September 2006

However, considerable differences were observed based on business sector. For example, 76.2 percent of women in the service sector saved in order to expand their businesses and 9.5 percent saved for life cycle events (e.g. birth, death, marriage). In contrast, 51.3 percent of women in trade saved to expand, while 20.5 percent save for life cycle events, and 55.6 percent of women in agriculture saved for life cycle events and only 11.1 percent saved to expand their business. Different purposes in savings based on sector did not occur as much for men, except in the manufacturing sector where only 38.5 percent saved to expand and 23.1 percent to make larger business or household purchases. In all other sectors, most men saved primarily to expand their business and then for life cycle events.

Differences were not observed based on the clients' cash flow. A client that lived day to day was just as likely to save for business expansion and life cycle events as a person who planned for the future. Where the difference did occur was with regard to saving for medical emergencies; only men and women who lived day to day reported saving in order to prepare for medical emergencies. In order to design targeted materials, it is important to know the financial circumstances of clients, what they save for, and what limits their ability to save.

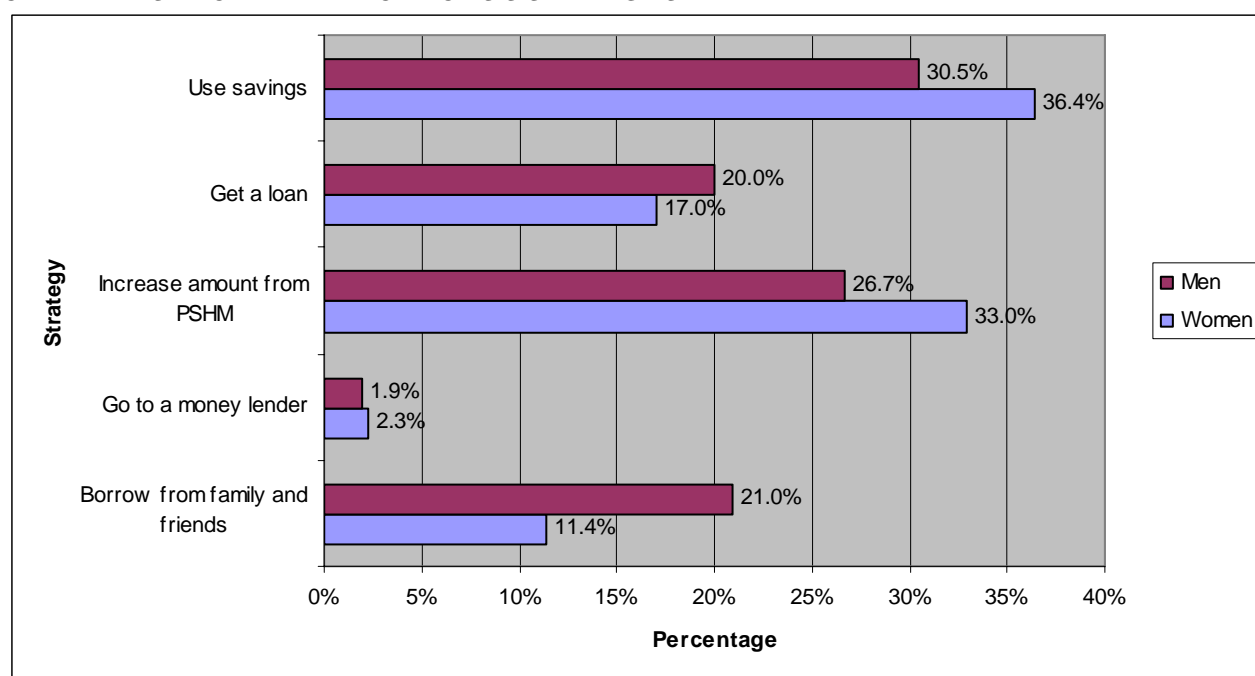
## **BORROWING**

Participants were also asked about their strategies for managing financial crises. From in-depth interviews, GATE learned that when clients needed a large sum of money and did

not have enough set aside they either applied for another loan or tried to borrow from friends or family. The frequency of these two responses was almost equal. No apparent correlation appeared between gender, business type, or client maturity in terms of the first or second line of recourse. The responses in and of themselves are not surprising, but the fact that none of the participants suggested adjusting financial aspects of their business does warrant consideration.

The survey results differed from the results of the individual interviews with regard to financial crisis management (See Chart 11). Within the survey data, 36.4 percent of women and 30.5 percent of men stated that they used their savings, 33 percent of women and 26.7 percent of men increased the amount being borrowed from PSHM, 17 percent of women and 20 percent of men took out a loan, and 11.4 percent of women and 21 percent of men borrowed from friends or family.

**CHART 11: PSHM CLIENT FINANCIAL CRISIS STRATEGIES**

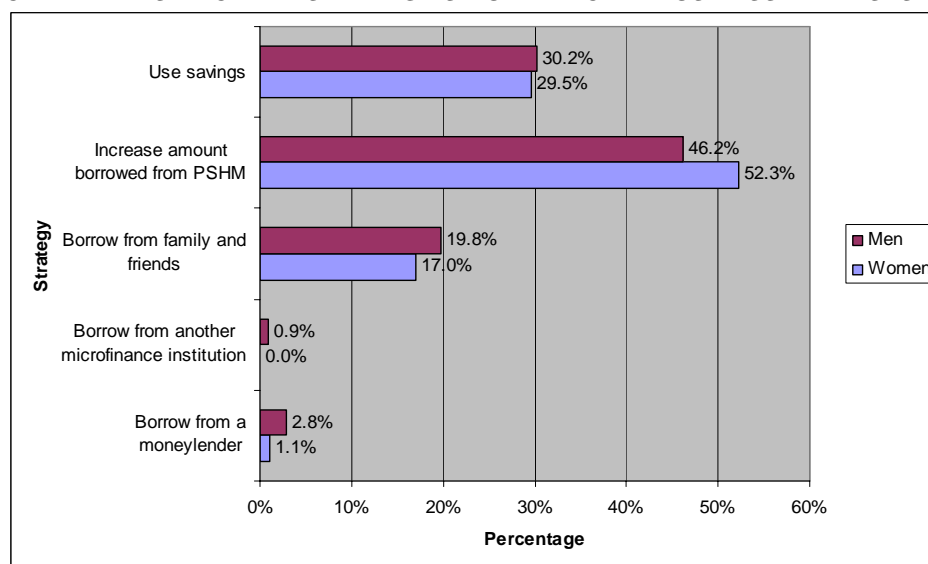


Source: GATE Survey September 2006

While education, location, and client status did not appear to influence one's strategy, cash flow did seem to impact women's decisions. Fifty-three percent of women who lived day to day increased the amount they borrowed from PSHM when they need a lump sum of money, and only 15.4 percent either borrowed from family and friends or use their savings. In contrast, only 24.2 percent of women who planned for future expenses increased their loan from PSHM, while 45.2 percent used their savings. The same did not hold true for men.

Chart 12 shows that similar strategies were reported as being employed when business expenses changed unexpectedly. However, while approximately the same percentage of male and female clients used their savings, a higher percentage increased the amount that they borrowed from PSHM—52.3 percent of women and 46.2 percent of men. However, no significant differences in strategies were observed based on client status, education, or cash flow.

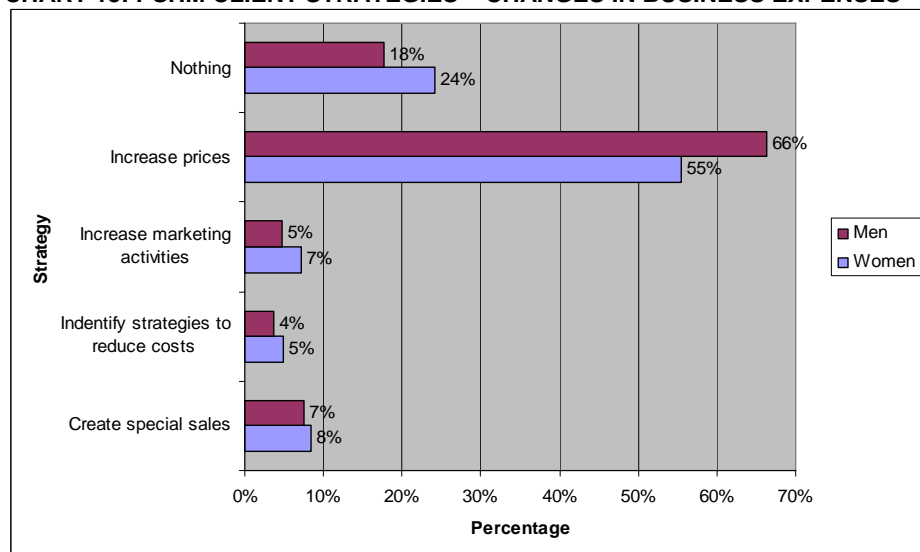
**CHART 12: PSHM CLIENT STRATEGIES – UNEXPECTED BUSINESS EXPENSES**



Source: GATE Survey September 2006

It is also interesting to look at the strategies clients employed when business expenses change unexpectedly (e.g., cost of petroleum for transport). As Chart 13 below depicts, the majority of men and women increased their prices or did nothing.

**CHART 13: PSHM CLIENT STRATEGIES – CHANGES IN BUSINESS EXPENSES**

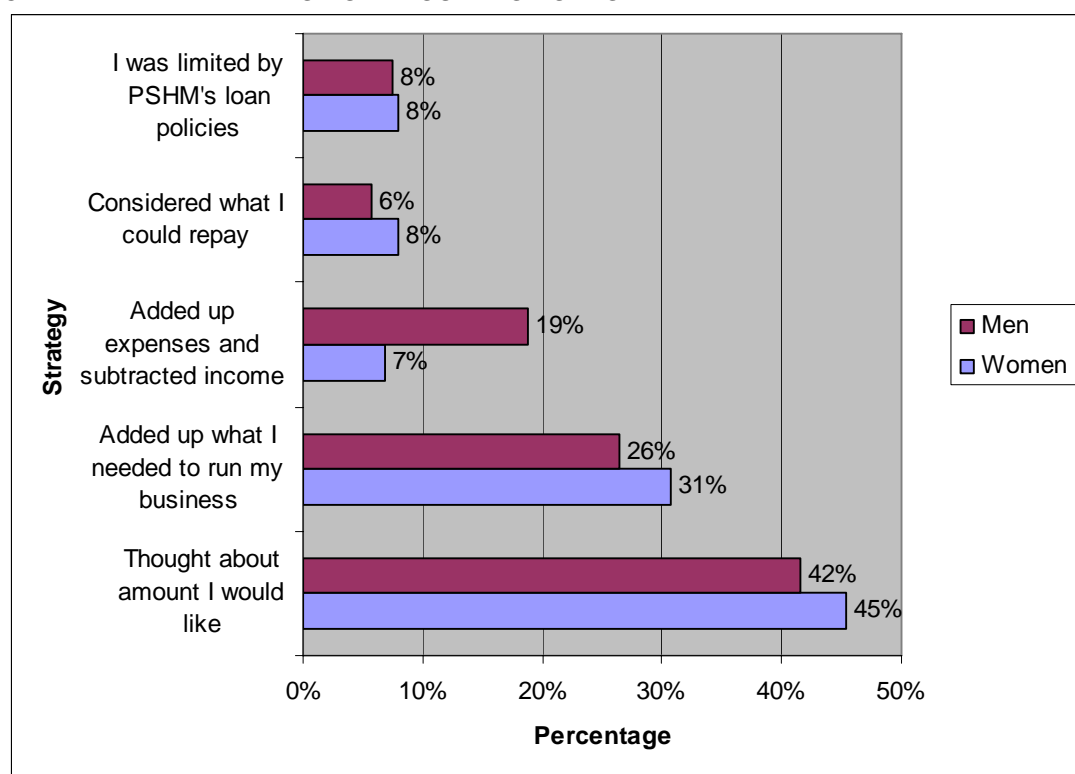


Source: GATE Survey September 2006

Only 4.8 percent of women and 3.7 percent of men identified strategies to reduce their costs. No significant differences based on client status, education, business type, or cash flow, were observed. This may be an important subject area for training. If clients learn and adopt strategies for reducing costs instead of increasing their prices, this could increase the profitability of their businesses, which in turn would increase their ability to save, and decrease their dependencies on strategies external to their businesses, such as increasing the amount they are currently borrowing from PSHM.

Questions were also asked to examine how PSHM clients decided on the amount they borrowed (see Chart 14 below). Forty-five percent of women and 41.5 percent of men thought about the amount they wanted and asked for it. Thirty percent of women and 26.4 percent of men added up what they needed to run their business for the term of the loan and asked for that amount. Far fewer clients added up expenses and subtracted their income from that amount, considered what they could repay in accordance with PSHM's terms and asked for that amount, or were limited by PSHM's loan policies and could only ask for a certain amount.

**CHART 14: DETERMINATION OF AMOUNT TO BORROW**



Source: GATE Survey September 2006

No significant pattern between this behavior and other characteristics was established. These findings, however, do not take into consideration how PSHM loan officers impacted the final amount clients received. All interviewed loan officers remarked that PSHM clients often request more money than they need, and that loan officers play a critical role in helping the client to determine the proper amount given the client's specific circumstances.

## PERSPECTIVES ON FINANCIAL INSTITUTIONS

The concept of financial institutions is still relatively new in Albania. Only two years ago, the Government of Albania passed a law requiring government employees to open a bank account in order to receive their pay checks. Changes in laws have increased interactions between citizens and financial institutions. This, in addition to the passing of time since the 1997 pyramid crisis, has allowed trust to develop. Loan officers in Vlore and Kukes reported that the transformation of trust has occurred over the last four years. Key to this change for PSHM clients has been their experience with PSHM loan officers. Clients most often identify the person with the institution. Positive experiences with PSHM loan officers have increased the positive sentiment toward financial institutions.

Of the 45 clients interviewed, only three reported that they distrust banks and financial institutions. All three were victims of the pyramid crisis and stated that it was safer to put their money under the mattress than to put it in the bank. Four trends emerged among those who trust banks and financial institutions. The first group was not affected by the pyramid crisis, and recognized the difference between banks and pyramid schemes based on their positive experiences. Clients in this category most often followed their response with, “It is much safer to put your money in the bank than to keep it in the house where it can get stolen.” The second group has confidence but lacks experience with banks or financial institutions. They noted that some of their friends have had negative experiences in the past, but that they regretted their inability to put their money in the bank.

*I definitely trust banks. I wish that I had enough money to put it in a bank.*

The third group is made up of individuals who had only recently started to trust banks and financial institutions. All respondents claimed that prior to their experience with PSHM they were skeptical of financial institutions. Their change in attitude is directly related to their experience with PSHM.

*Before 1991, there was only one bank in Albania. After the changes, several banks popped up, but I didn’t know anything about them. Based on my experience with PSHM, I now trust banks and financial institutions.*

In addition to personal experience, the particular backing of an institution also mattered to this group. Clients trusted PSHM because they knew that it is backed by USAID, which they deemed to be a trustworthy entity.

The fourth group trusts banks and financial institutions, but preferred not to use their services.

*I definitely trust banks, but I don’t put my savings in the bank. I prefer to invest my money in my business, but it isn’t because I don’t trust the banks.*

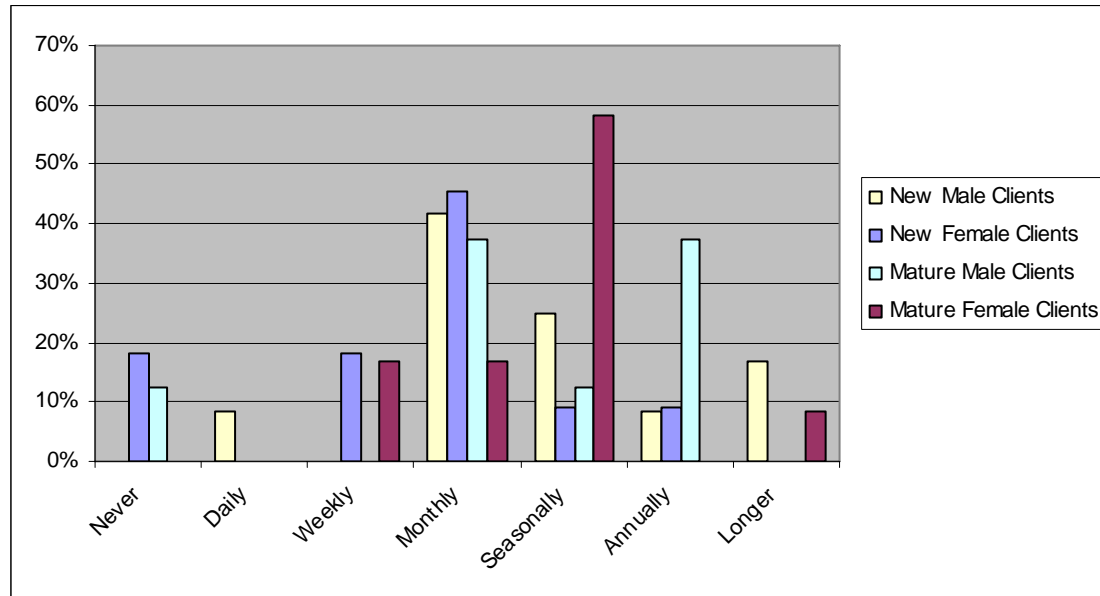
GATE also asked clients about their access to financial institutions. The ability to walk to a bank differed by client location. Seventy-eight percent of urban clients can walk to a bank in comparison with 43.8 percent in peri-urban areas and 57.4 percent in rural areas. Easy access to financial institutions greatly impacts a client’s ability to interact with and use financial services.



## BUDGETING

Budgeting practices among PSHM clients correlated to their business type. For example, individuals involved in tourism were more likely to believe it most beneficial to budget seasonally, whereas a client involved in retail or trade who made all payments and purchases on a monthly basis often believe it was most beneficial to budget on a monthly basis. Inquiries on why an individual might not find it beneficial to budget for a longer period of time differed between clients who did not budget, or budget daily or weekly, and monthly or seasonally.

**CHART 14: BUDGETING PRACTICES**



Source: GATE In-depth Interviews August 2006

PSHM clients who did not budget offered two explanations—financial crisis and a negative attitude toward budgeting. The first reason was provided by new female clients.

*I really can't budget right now. This shop is my family's only source of income. My husband and I don't receive pensions; my son just finished university and still hasn't found a job. All I can plan for right now is to take care of my loan payments and pay my taxes. I'm trying to manage our money the best way I know how.*

Similar concerns about income limitations were echoed by multiple new female clients.

Several mature male clients who did not budget also did not plan expenses. The following perspective was explained as being:

*If I need something I buy it. I do not need to budget.*

Clients who budget on a daily or weekly basis reported that because of their limited income, it made it difficult to budget for more than a week at a time.

*At the end of the day, I know my situation and can plan for the next day.*

*If we budget for a month, it looks like we are spending more than we have. If we do it weekly, it looks more manageable.*

*Our income is very limited; we can't budget for a longer period of time.*

Individuals who budget on a monthly basis reported that the reason for their current budgeting behavior was based on convenience.

*I get paid once a month. I pay my bills once a month. It's more convenient this way.*

*It is easier to budget monthly. I know everything I make and spend in a month.*

*Everything happens on a monthly basis, so I budget on a monthly basis.*

Positive deviants were seen as those who currently budget for a year or longer. Correlations between education or business type and positive financial behavior were not observed, but rather a belief in the benefits of planning for the future.

*Budgeting for the long-term allows me to calculate exactly how much I can invest in my business. If I wait until the last minute, then I won't be able to achieve my goals because I won't have enough money set aside.*

*I buy in the summer and sell in the winter. I have to budget on a yearly basis to be prepared.*

PSHM loan officers provided two explanations for current client budgeting behaviors. First, many clients reportedly lacked the knowledge and information of how to build a budget. One of the key missing skills is the ability to estimate costs and revenue over the long-term.

*Every client has a plan in their head. They just don't know how to write it down and give it shape.*

This, coupled with business insecurity, often affects clients with income generating activities in the outdoor market.

*They don't know what is going to happen tomorrow, if the prices will change or what the weather will be like.*

The second reason is a lack of awareness to the benefits of budgeting for a longer period of time.

*It's easier for people with a small business to focus on the short-term. They don't know the benefits of budgeting for longer.*

In very few instances was an individual's time horizon for planning correlated to their budgeting practices. Most individuals who reported to budgeting for a time period of less than a year also expressed an inability to estimate costs and reported the need for more market information, particularly market prices. Better understanding of the roots of current budgeting beliefs and the link between lack of market information and lack of long-term budgeting practices may need further exploration in order to best address them through

training curricula. In addition, the purposes of budgeting may need to be addressed, linking budgeting practices to strategies for mitigating and preventing financial crisis.

## **FINANCIAL GOALS**

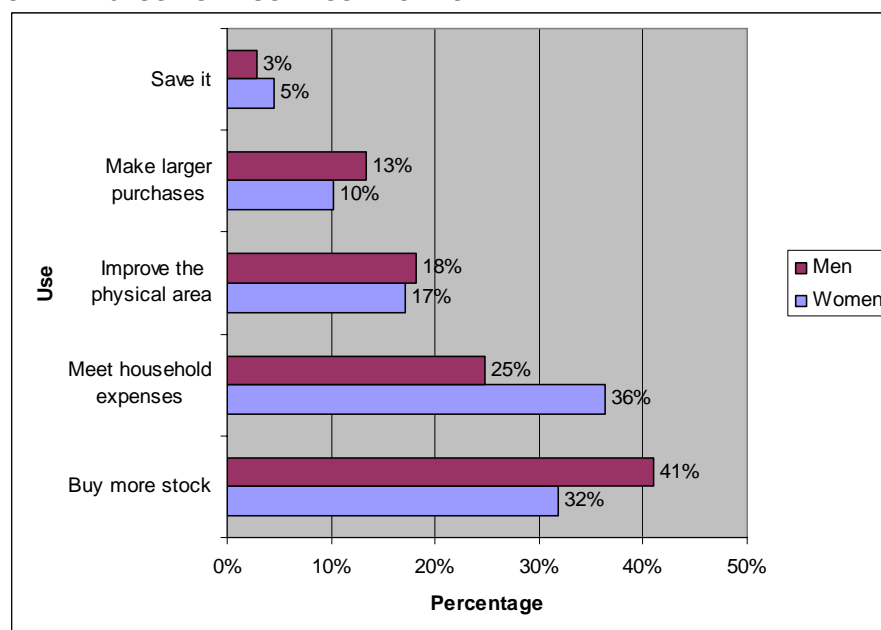
The identification of a financial goal did differ by gender. Eight-seven percent of male clients have a financial goal in comparison with 68.5 percent of female clients. In addition, women with higher levels of education were also more likely to have a financial goal than women with only a primary education—86.8 percent in comparison with 51.2 percent. The client's cash flow characteristics also appeared to impact the likelihood of them possessing a financial goal—53.8 percent of women and 70.4 percent of men that lived day to day had a financial goal, in comparison to 74.6 of women and 92.6 percent of men that planned for the future.

All PSHM clients reported to have one of four financial goals: to expand their existing business, to start a new business, to build or finish building a house, and to fund their children's education. With the exception of one participant, PSHM clients estimated that it would take at least one year for them to reach their goals. However, the most frequent time estimation was between three and five years. A short-term goal, therefore, was perceived as one that would take up to one year, medium term goal three to five years, and a long-term goal six to ten years. No strong pattern emerged between gender, type of goal, and estimated time frame for achieving the goal.

According to PSHM loan officers, clients had goals and recognized that they were not achievable over-night, but did not always know what strategies to use to reach their goals. PSHM clients most often provided the following strategies: apply for another loan, lower costs, increase sales, and, work harder. Beyond applying for another loan, clients did not appear to know how to take tangible steps toward reaching their goals. For example, client who stated that they would lower their costs did not identify trade-offs that would be made in order for that to be possible. Better understanding of financial strategies appears to be a key need that should be addressed in training curricula.

The use of business profits also appears to reflect the financial goals and cash flow of PSHM clients. Forty-one percent of men and 32 percent of women bought more stock/supplies for their business when they generated a profit (See Chart 15). The second most frequent use of business profit was to meet household expenses—36 percent of women and 25 percent of men.

**CHART 15: USE OF BUSINESS PROFITS**



Source: GATE Survey September 2006

As might be expected, a larger percent of clients who lived day to day used their profits to meet household expenses—42 percent of women and 39 percent of men— compared to 33 percent of women and 19 percent of men who planned for the future.

## NEGOTIATION SKILLS

Literature on women and entrepreneurship indicates that in some countries and contexts women lack the same negotiation skills as men.<sup>47</sup> Questions regarding the ability to negotiate with suppliers did not reveal that to be true in the case of Albania.

### NEGOTIATIONS WITH WHOLESALERS

Only three of the interviewed clients reported that they were unable to negotiate with wholesalers if they purchased a large quantity of goods. Clients in this category explained that the wholesalers' prices were fixed and therefore non-negotiable. The degree of power clients had in interactions with wholesalers appeared to depend on the type of enterprise rather than the client's sex. Individuals selling used clothing could only negotiate if the pallet of clothes they purchased contained a large proportion of poor quality apparel. In such cases, receiving a discount required that the wholesaler come to the client's work site to verify the incidence. Some clients reported having good relationships with their wholesaler, but others admitted to bribing the wholesalers in order to receive a discount.

In all but four cases, the client reported conducting the negotiations themselves. In such cases, the women clients reported that their husbands took care of the negotiations and the

men reported that their wives negotiated with the wholesalers. One such client stated, “In my opinion, women know how to manage money far better than men, so I leave it up to my wife.”

## **NEGOTIATIONS WITH CUSTOMERS**

All interviewed clients provided customer discounts and primarily determined the discount based on their relationship with the customer.

*I take good care of my regular customers and give them discounts. Yesterday, a woman came from Kosovo and I charged her two times the normal price.*

*I consider my regular clients to be the most important. I'm not in a hurry to sell my cheese so there's no need to offer cheap prices.*

While several clients involved in the trade and retail sector considered giving a discount if the customer was interested in old merchandise that the client would prefer to get rid of, only one client reported to considering whether cash was needed urgently when negotiating the price with the customer.

*It depends if I have already made what I need to cover my costs. If I haven't made enough then I won't negotiate.*

## **DECISION MAKING**

The nature of decision making was explored through focus groups. All participants were married. Questions addressed both how the clients made business decisions as well as how they decided on the use of business profits. Both male and female clients identified themselves as the primary decision maker for their business. Male participants consulted their family before taking out a loan with PSHM, but reported that when it came to business decisions, they were better prepared to make that decision than anyone else. Decisions on how to use business profits differed between older and younger male clients.\* Older male clients perceived themselves as the primary decision maker.

*Albanian men are the decision makers. I may ask my wife her opinion, but I've already decided what I am going to do.*

On the other hand, younger male clients consulted with their wives about the use of business profits.

Female participants responded similarly to the young males. While women sought the advice of their husbands, they ultimately made their own decision.

*Women do better if they first talk to their husbands, but then make the decision themselves.*

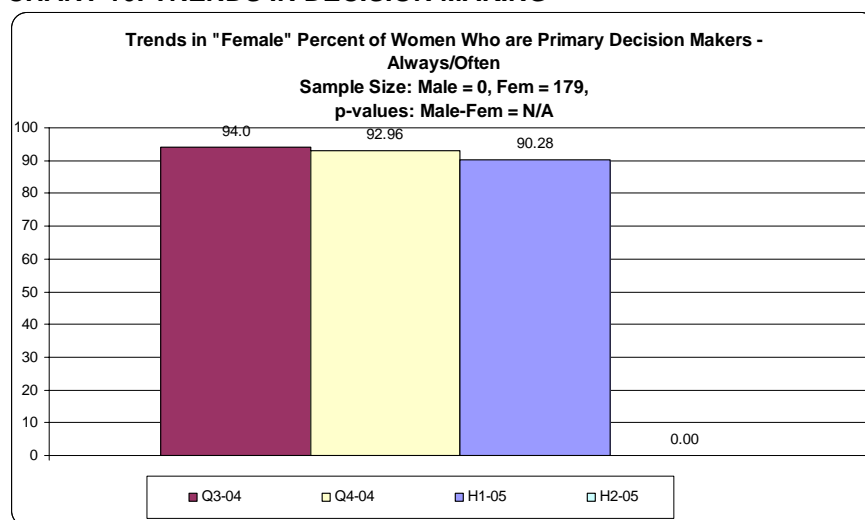
The same approach is used among female clients with regard to decision making over the use of profits.

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\* Older men were approximately 50 years or older. Younger men were late 20s-mid-30s.

In 2005, PSHM found that 90.28 percent of their female clients identified themselves as primary decision makers.

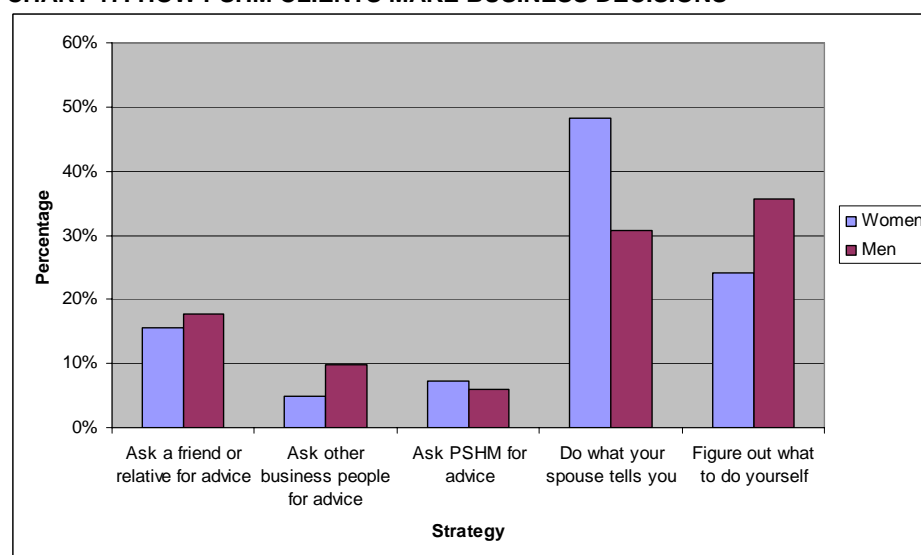
**CHART 16: TRENDS IN DECISION MAKING**



Source: PSHM Report 2005

While the majority of women in PSHM's survey self-identify themselves as the primary decision-maker, GATE's survey results revealed that both men and women relied on guidance from their spouse when making a major business decision. Forty-eight percent of women and 30 percent of men made business decisions based on what their spouse told them to do. The second most frequently reported strategy was that the client figured out what to do by themselves. This strategy was employed by 36 percent of men and 24 percent of women.

**CHART 17: HOW PSHM CLIENTS MAKE BUSINESS DECISIONS**



Source: Gate Survey September 2006

No significant differences in strategies were observed based on education or location. Differences, however, were seen based on business sector. For example, 55.6 percent of women in agriculture asked a friend or relative for advice and only 22.2 percent did what

their spouse recommended. In contrast 51.7 percent of women in the service sector and 50 percent of women in trade or retail did what their husbands told them to do. On the other hand, 31.8 percent of men in agriculture depended on their spouses recommendations while 36.4 percent depended upon themselves. Only 14.3 percent of men in manufacturing reported asking their wives, in comparison to 35.7 percent who asked a friend or relative and 21.4 percent who figured it out themselves. The majority of men in trade and services depended on their spouse, 29.4 and 30.8 percent respectively, or themselves, 38.2 and 34.6 percent respectively. While not confirmed by the study, one may speculate that the different strategies used by sector may reflect the nature of the businesses. More businesses in agriculture, trade, and services are family run.

Decision making processes are important when thinking about training programs. In cases where either male clients or female clients depend upon their spouses for business decisions, this will effect how financial education is applied. In such cases, it might prove more effective to undertake a family approach and train both men and women in financial skills.

## **MARKETING**

In addition to financial practices, PSHM requested that GATE ask a smaller sample of clients' questions concerning their marketing practices, strategies surrounding determining the cost of their product or services, who they perceive as their competition, and if they have a marketing plan. A third of PSHM clients interviewed were asked these questions. It should be noted that the majority of clients interviewed operated in the trade and retail sector.

## **DETERMINING COST OF PRODUCT OR SERVICES**

Participants who responded to the marketing question determined the product or service price in three (3) different ways. One was to consider the amount paid for the goods plus other costs. Other costs that were listed included rent, electricity and other utilities, travel to the wholesaler (if out of country), and tax. A few within this group viewed the season as a cost and determined the price based on the expense of the goods and then the current season.

The second strategy, reported by used clothing vendors, was to take the total amount needed to purchase a pallet of used clothes and then determine the per piece price. After determining the base price of the piece, clients employed various strategies, including evaluating the quality of the good, adding 10 or 20 lek (10 or 20 US cents) to the per piece price, and considering the relationship to the customer. Clients made this decision based on what they perceived to be a competitive price.

The third reported strategy was to check the competition's prices and then offer a comparable rate.

*I bought some high quality fabric for 1,000 lek (11 USD) per meter and wanted to sell it for 1,500 (16 USD) lek. But, the guy down the road was selling the same fabric for 1,200 lek (13 USD), so I had to decrease my price.*

While the number of participants asked marketing questions was too limited to make definitive conclusions, it does appear that clients base the prices of their product or service

primarily on total cost, competitor prices, consumer sentiment and ability to pay, or relationship to customer rather than a combination of the four factors.

## **PERSPECTIVES ON COMPETITION**

All of the new female clients who were asked about their competition stated that they did not worry about competitors.

*Competition is not a problem. I have my faithful customers and they will not abandon me. I offer them good prices, so I won't lose them.*

Among shop owners who did perceive competition to be of concern, their competitors were identified as wholesalers and enterprises operating informally. Informal operations were perceived as a particular threat because of their ability to offer much lower prices than enterprises that were registered and paying taxes.

Used clothing and other vendors operating stands in the outdoor market identified all other individuals selling similar products in their area as competitors, as well as those offering similar products but of higher quality.

## **MARKETING PLAN**

Gender differences were observed between the marketing plans of male and female clients. Male clients reported either not having a marketing plan or focusing on keeping their prices low. On the other hand, female clients focused on interpersonal communication with their customers—treating them politely and with respect—as well as offering special prices to loyal customers.

*If you are sweet to your customers, you will be successful.*

*I try to treat my customers in the best way possible. For example, if a customer comes in and wants something but can't pay today, I'll tell them to go ahead and take and just bring me the money when they can.*

While interviewing a male client whose wife was present, the participant responded that he did not have a marketing plan and his wife jumped in and said “That’s not true. I keep the store clean and tidy, offer low prices, and work on practicing good interpersonal communication skills with the customers.”

Several loan offers suggested that while both male and female clients could benefit from marketing training, men could benefit the most from interpersonal communication skills development. It is perceived that good customer service comes naturally for Albanian women, but needs to be fostered among men.

While the project as originally envisioned will focus solely on financial skills, it appears that the participants’ marketing practices may impact their financial outcomes. For example, by focusing simply on keeping prices competitive, without addressing costs and ways of lowering costs, it is difficult to ensure or increase the profitability of a business. Addressing such topics in the training modules could prove beneficial.

## **LEARNING PREFERENCES**



There is an Albanian adage that says, “You can never say that you are the best; there is always more that you can learn.” The responses to questions concerning the perceived need to attain additional information and skills to improve one’s business primarily reflected this Albanian saying. The responses can be classified into three general categories. First, the vast majority expressed eagerness to learn skills and obtain information about budgeting, saving, and planning for the future. One Roma woman client stated, “Of course I need this, but who will teach me.” Another male client from Kukes remarked, “I’ve heard of Kosovar business owners being offered training, but I’ve never heard of something like this being offered to Albanians. Of course I would attend if this was offered to me.”

The second group, mostly positive deviants who already possessed positive financial practices, sensed that what they needed was technical assistance to help them improve the services and products that they are able to offer their clients. Offering business development and technical services is beyond the scope of this project. However, clients in this category may benefit from existing USAID business development projects such as the Small Business and Credit Assistance (SBCA) project.

The third group, predominantly composed of men, perceived that such skills either would not benefit them because of the small size of their business or that such skills were not needed at all. The latter believed that accumulating more money was the most critical factor in the success of a business.

*All I need is more money. If I have more money then I will be able to expand my business.*

*All I need is more money; I can take care of the rest.*

## **DELIVERY OF INFORMATION**

PSHM clients want the information to be presented in a practical manner, where they can practice the principles being taught during the learning session. With regards to structure and format of the presentation, what is most important to clients is the ability to interact with other participants from similar types of businesses and to learn through exchanging ideas.

*It would be good if the sessions were like when friends meet and discuss things over coffee.*

## **SCHEDULING LEARNING SESSIONS**

The scheduling preferences of clients were largely associated with their types of businesses. Most clients reported that a session lasting two (2) hours in the late afternoon once a week would be most agreeable. In addition, it was noted that if PSHM trainers could locate a training venue close to the client’s work site it would increase their frequency of attendance.

*If the training was offered at the PSHM office, I could only come once a month because it takes me a long time to get there and I would miss out on business. If they could come here, I would find a place for us to meet. I want to know how to make my business better. I need this information. If it was offered to me, I would make the time to attend up to several times a week.*

## **SOCIALIST INFLUENCE ON CURRENT FINANCIAL BEHAVIORS**

In order to design interventions with the objective of behavioral change, an understanding of the beliefs and preconceived notions behind existing behaviors is necessary. While there is a dearth of information linking Albania's socialist experience to current financial practices, the data described above appears to show traces of this historical legacy. The argument laid below is based exclusively on GATE's field experience.

As previously noted, prior to 1990 enterprises enjoyed a special relationship with the state. While the enterprise had a horizontal relationship with the market, it had a vertical relationship with the state. Because the company had assurances that it would be paid by the state, there was not a strict relationship between expenditures and earnings. This dynamic minimized an enterprise's price responsiveness, efficiency, and ability to adjust. Enterprises no longer have vertical relations with the state, but some PSHM clients do have other external factor filling that role, primarily, financial institutions, family and friends, and remittances. Evidence of this potential soft budget constraint appeared in responses to strategies for managing financial crises and strategies for achieving financial goals.

As noted, a large percent of PSHM clients rely on borrowing from financial institutions or friends and family members when they need a large sum of money. While this hypothesis has not been tested, it may be assumed that a client's belief in a high probability of being able to borrow affects his or her business decisions. Instead of adjusting to the situation by improving the quality of goods, cutting costs, or introducing new products, which would undoubtedly affect one's budget, clients tend to rely on outside sources. Similarly, the ability of an enterprise with a hard budget to expand depends on past, present, and future revenues from sales. A large percentage of participants anticipate using an external financial source, namely another loan, to reach their financial goal for their business. The presence of soft budgets may also contribute to prevailing perceptions on the purpose of record keeping. If one's business decisions are not based primarily on the financial aspects of the business or the market for one's products, then it seems logical to record transactions for the main purpose of knowing one's profit. Training modules should include financial problem solving strategies which address dependency on external factors.

## **TRAINER'S SKILLS/CAPACITY ASSESSMENT**

In addition to evaluating clients' financial skills, GATE also sought to assess the skills and capacities of potential trainers, PSHM loan officers. Twelve loan officers from four PSHM offices and three PSHM branch managers participated in the survey. The majority of participants have worked for PSHM between one and two years. All but three of the participants have a university degree in economics; the others have a degree in a social science related field.

Participants were asked to rate their strongest and weakest knowledge area given the following topics: budgeting, savings, debt management, financial negotiation, and bank services. The responses were diverse, but 46.7 percent believed that budgeting was their strongest area of knowledge. The responses were equally divided among the weakest knowledge areas: bank services, budgeting, and savings. Most PSHM loan officers have helped their clients with basic money management skills, assessed their clients' financial

situation, and helped them to distinguish between needs and wants. At the same time, a few loan officers indicated that they need greater understanding in basic money management principles in order to help their clients. While the majority of participants have experience with helping clients manage their cash flow, make a financial plan, and develop a budget, several loan officers reported the need for greater information on how to teach their clients to follow a budget. PSHM loan officers play an important role in advising clients on when to borrow, comparing loan terms and conditions between financial institutions, and calculating interest for loans. Within this realm, participants suggested that greater knowledge in debt management could be helpful for them in advising clients.

Loan officers reported that they knew their clients very well, but could better assist them if they knew the particular challenges faced by each type of business, their clients' household financial circumstances and what prevents their clients' from improving their financial circumstances.

The survey revealed that PSHM loan officers are highly involved with their clients and provide them with valuable financial and business advice. In order to ensure that PSHM loan officers are equipped to teach the financial education curriculum that is developed, they should first be trained in the materials. Special attention should be given to topic areas identified as needing greater knowledge or understanding.

## CONCLUSION/RECOMMENDATIONS

GATE's findings largely differed from its expectations. Few clear correlations were established between new and mature clients or the client's sex, business type, and financial behavior. Based on the analysis, GATE makes the following recommendations:

1. **Develop Multiple Modules.** PSHM clients display a broad range of financial behaviors. These behaviors differ by gender, business sector, experience, and ethnicity. PSHM should evaluate developing several modules that take into considerations the unique challenges and opportunities faced by different sectors. In order to effectively design materials for the learner, PSHM should consider training modules for both literate and limited literacy populations.
2. **Develop Multiple Levels.** PSHM clients exhibit different levels of financial skills. While some could profit from training on all major topics, such as record keeping, budgeting, and financial planning, others demonstrate the capacity to save and have good record keeping skills, but lack the ability to develop strategies for reaching their financial goals. To be effective, curricula should be developed on appropriate topics with the appropriate depth for a given audience. The more focused PSHM's target audience is, the greater the necessity for targeted curricula.
3. **Grouping by Similar Businesses.** In order to facilitate a participatory learning environment where clients can benefit from the ideas and experiences of their peers, trainings should be offered to groups of clients in similar businesses and with similar levels of experience.
4. **Concentration on Benefits of Behavioral Changes.** PSHM clients do not appear to have negative attitudes toward record keeping, budgeting, saving, and financial planning as has been seen in other transitioning countries. Rather, they seem

unaware of potential benefits of altering their financial behavior. As addressed above, PSHM clients with positive financial behavior know, understand, and have seen first-hand the benefits of their practices. The focus then should not merely be on providing assistance and information, but should be geared toward influencing behavioral change. It may be useful for PSHM to draw upon examples of successful behavioral change projects and incorporate best practice principles that are relevant to the Albania experience.

5. **Prioritization of Principles.** Based on the preliminary findings, GATE suggests that PSHM focus on record keeping, budgeting, financial planning, managing cash flow, and financial problem solving strategies. Participants appear to have positive attitudes toward saving, but need information and skills on how to more effectively manage their cash flow in order to save more. Further, while PSHM clients do possess financial goals, their responses indicate lack of clarity on tangible steps towards reaching these goals.
6. **Attention to Least Profitable Businesses.** The fact that a large percentage of women are entering the trade and retail sector, which is known to be least profitable, calls for attention. PSHM should consider exploring both reasons for why it is unprofitable and ways to advise clients about the difficulties of the sector.
7. **Training for both Men and Women.** The objective of the study was to investigate gender differences, with the intention of designing a program for women. Both men and women displayed an eagerness to learn skills to improve their business performance. In addition, some literature on Roma culture suggests that offering courses to only women could be interpreted as a threat to the male status within the household. In order to mitigate potential negative effects on women, if PSHM decides to offer trainings throughout its branches, it should also consider extending sessions to male clients as well. Moreover, given the prevalence of family run businesses, where both the husband and wife are active participants, a family-based training approach might prove most effective.

# ENDNOTES

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1. INSTAT, "People and Work in Albania."
2. OECD, "The Informal Economy."
3. FAO, "Internal Mobility."
4. Hogarth, "Financial Literacy and Family and Consumer Science."
5. Worthington, "Predicting Financial Literacy in Australia."
6. Schagen and Lines, *Financial Literacy in Adult Life*.
7. Asset in this case refers exclusively to the concept of wealth, including property and financial holding. Sherraden, *Assets and the Poor*.
8. Caskey, "Defining the Market."
9. Hogarth, "Financial Literacy and Family and Consumer Science."
10. Worthington, "Predicting Financial Literacy in Australia."
11. Schagen and Lines, *Financial Literacy in Adult Life*.
12. Roy Morgan Research, *ANZ Survey*, 2.
13. See note 5 above; Mandell, *Our Vulnerable Youth*.
14. Chatzy, "Teach Our Children"; Huddleston and Danes, "Impact Evaluation"; Garmam et al., "Workplace Financial Education."
15. Shefrin and Thaler, "The Behavioral Life-Cycle Hypothesis"; Thaler and Shefrin "An Economic Theory."
16. Thaler, "Saving, Fungibility, and Mental Accounts."
17. Moore et al. "How do Low-income Individuals Save?"
18. Sebstad and Cohen, "Financial Education"
19. Ibid.
20. Hogarth and Anguelov, "Can the Poor Save?"; Page-Adams and Sherraden, "Asset Building."
21. Green and White, "Measuring Benefits"; Hill and Duncan, "Parental Family Income."
22. Hill and Duncan, "Parental Family Income."
23. Ibid. 64-65.
24. Page-Adams and Sherraden, "Asset Building."
25. Chiteji and Hamilton, "Family Matters"; Rhine and Toussaint, "The Use of Formal and Informal Financial Markets."
26. See note 12 above.
27. Mavrinac and Chin, "Financial Education."
28. Braunstein and Welch, "Financial Literacy," 456.
29. Hogarth and Swanson "Using Adult Education."
30. Lutrell, "Working Class."
31. O'Neill et al. "Successful Financial Goal Attainment."
32. See note 23 above.
33. Hogarth, Beverly, and Hilgert, "Patterns of Financial Behavior."
34. Ibid.
35. INSTAT, "People and Work in Albania".
36. OECD, "The Informal Economy."
37. FAO, "Internal Mobility."
38. Hall, *Albania*.
39. Ibid.
40. Jarvis, "Rise and Fall."
41. DeSoto et al. *Roma and Egyptians*.
42. Ibid.
43. Ibid.
44. quoted in Ibid., 56.
45. quoted in Ibid., 65.
46. Ibid.
47. Erdem, "Women Entrepreneurs"; Kolvereid et al. "Is it Equally Difficult?"; Sexton and Kent, "Female Executives."

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